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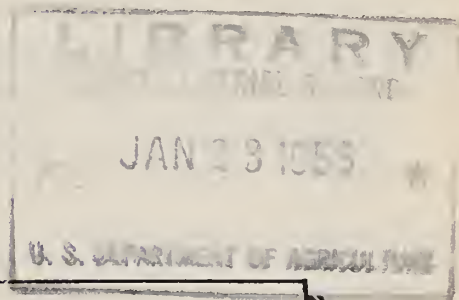
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The

DEMAND and PRICE SITUATION

DPS-11

1956 OUTLOOK ISSUE
FOR RELEASE NOV. 18, 1955, P. M.



Approved by the Outlook and Situation Board, November 14, 1955

AGRICULTURAL SITUATION AND OUTLOOK FOR 1956

Domestic demand in general is expected to expand further in 1956. Foreign takings of U. S. farm products were improved in 1954-55 and the higher level will likely be maintained in 1955-56. Expenditures for food are expected to be larger in response to higher consumer incomes, but, as in recent years, the effect may be felt more on demand for services attached to processing and marketing of food than on the demand for products at the farm.

Prices of farm products in 1956 may average slightly below the average for 1955 but close to current levels. Livestock and livestock product prices are expected to average about at 1955 levels in view of prospects for a high level of demand next year. Crop prices probably will average lower, reflecting big supplies. Some reductions in price-support levels could occur for rice, cotton and corn under provisions of present legislation. A lower price support for 1956 crop wheat has already been announced.

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UNITED STATES DEPARTMENT OF AGRICULTURE
AGRICULTURAL MARKETING SERVICE

ECONOMIC FACTORS AFFECTING AGRICULTURE

Item	Unit or base period	1954		1955			
		Year	Oct.	July	Aug.	Sept.	Oct.
Industrial production ^{1/}							
Total.....	1947-49=100	125	126	139	140	141	
All manufactures.....	do.	127	128	141	142	143	
Durable goods.....	do.	137	139	155	158	160	
Nondurable goods.....	do.	116	117	126	125	125	
Minerals.....	do.	111	109	120	120	121	
Total outlay for new construc- tion ^{2/}	Million dollars	37,577	3,136	3,541	3,524	3,536	3,480
Residential.....	do.	13,496	1,210	1,416	1,390	1,381	1,324
Total civilian employment ^{3/}	Million	61.2	62.1	65.0	65.5	64.7	65.2
Nonagricultural.....	do.	54.7	54.9	57.3	58.0	56.9	57.3
Unemployment.....	do.	3.2	2.7	2.5	2.2	2.1	2.1
Income:							
Nonagricultural payments ^{2/4/#} ...	Bil. dol.	271.9	273.8	291.7	290.8	292.6	
Production-worker payrolls ^{5/#} ...	1947-49=100	137.7	139.1	151.0	154.8	159.4	
Weekly earnings of production- workers in manufacturing ^{5/} ...	Dollars	71.86	72.22	76.36	76.33	77.71	78.69
Durable.....	do.	77.01	77.97	82.61	82.21	84.25	84.86
Nondurable.....	do.	64.58	65.07	67.89	67.83	69.14	69.66
Prices:							
Wholesale prices, all com- modities ^{5/}	1947-49=100	110	110	110	111	112	112
Commodities other than farm and food.....	do.	114	114	116	118	118	119
Farm.....	do.	96	93	90	88	89	87
Food, processed.....	do.	105	104	103	102	102	100
Prices received by farmers ^{6/#} ...	1910-14=100	249	242	237	233	235	230
Crops.....	do.	243	243	238	228	229	224
Livestock and products.....	do.	255	241	237	237	240	236
Prices paid, interest, taxes and wage rates ^{6/}	1910-14=100	281	279	281	279	279	280
Items used in living.....	do.	274	273	274	273	272	274
Items used in production.....	do.	252	250	248	247	246	246
Parity ratio.....		89	87	84	84	84	82
Consumer price index ^{5/}	1947-49=100	115	114	115	114	115	
Food.....	do.	113	112	112	111	112	
Government purchases of goods and services ^{2/ 7/#}	Billion dollars	77.0					
Federal (less Government sales)...	do.	49.2					
State and local.....	do.	27.8					

Annual data for the years 1929, 1932 and 1935-54 appear on page 41 of the April 1955 issue of The Demand and Price Situation.

^{1/} Federal Reserve Board.

^{2/} U. S. Department of Commerce.

^{3/} Bureau of the Census.

^{4/} Monthly totals seasonally adjusted at annual rates.

^{5/} U. S. Department of Labor, Bureau of Labor Statistics.

^{6/} U. S. Department of Agriculture, Agricultural Marketing Service.

^{7/} Quarterly totals seasonally adjusted at annual rates.

Revised series.

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Cash receipts from farm marketings so far this year total 4 percent below a year earlier. Production costs are continuing high and realized net income of farm operators in 1955 may be 10 percent lower than in 1954. Some further decline in income is in prospect for 1956. Cash receipts from livestock products may total as large and perhaps slightly larger than in 1955 if farmers halt the expansion in hog production. Hog-corn price ratios which are at about the long-term annual average, suggest no significant change in the spring pig crop next year over this year. Further acreage restrictions on cotton and tobacco, possibly somewhat lower yields for these crops than this year's very high yields and possible reductions in price support levels for some products will likely bring smaller receipts from crops.

Farmers' production expenses may be a little lower in the coming year than in 1955. Feed costs, which bulk large in farmers' expenditures, will be less reflecting the lower level of feed prices prevailing in recent months. Interest and tax payments on farm property will be larger. Farm wage rates and prices for many industrial products purchased by farmers are increasing. Thus, the economic factors underlying the agricultural situation indicate some further lowering of returns from agriculture in 1956 in contrast to increasing incomes in the non-agricultural economy. This appraisal, however, cannot make allowance for changes in the agricultural situation which might result from additional programs that may be undertaken over the next year.

Declines since 1951 in net income per farm and in income per person on farms from all sources have been much less than the drop in total realized net income. This reflects the rather rapid reductions in farms and farm population which averaged close to $2\frac{1}{2}$ percent a year between 1950 and 1954. With farm income down and the farm population fairly stable between April 1, 1954 and April 1, 1955, some reduction in income per person on farms in 1955 is indicated even though income from nonfarm sources was probably improved by expanded nonfarm job opportunities and higher industrial wage rates.

Supplies of farm products will continue large in 1956. Crop output this year, much of which will be marketed in 1956, may total 6 percent above 1954 and equal to the record of 1948. In addition, carryover stocks are large for wheat, rice, corn and other feed grains, cotton, fats and oils, and tobacco. Crop production in 1956, with average growing conditions, may not equal the record output this year. Average yields and prospective acreage restrictions would result in smaller 1956 crops of wheat, rice, some feed grains, cotton and tobacco. With large supplies and relatively low prices for feed, output of live stock products is likely to be maintained around this year's record level.

Foreign takings of U. S. farm products increased 7 percent in value and 12 percent in volume in fiscal 1954-55. The improved level of exports should be maintained in 1955-56. Foreign countries in general are in an improved financial position and economic activity and world trade are at record levels. Furthermore, there are several Government surplus sales programs designed to assist exports. However, an important factor which may limit foreign demand for U. S. exports is expanding supplies and increased competition from foreign countries. A large share of total exports will move under Government programs.

The domestic market for food and other farm products is expected to continue high in 1956. Consumer incomes after taxes were at a record rate of 272 billion dollars in the third quarter about 7 percent above a year earlier and prospective trends in economic activity point to still higher levels next year. Expenditures for food have risen in response to the rise in income and consumers continue to spend around a fourth of their income for food. But costs of distributing and processing food have also increased and the farmers' share of the retail food dollar in the third quarter was down 2 cents from a year earlier to a postwar low of 40 cents. Prospects for slightly higher average costs of processing and marketing in 1956, partly reflecting strong consumer demand for additional services, will tend to limit the effect of a further rise in income on the demand for farm products.

Total demands on the economy and output expanded rapidly during the past year. The gross product rose by 9 percent to a record rate of 392 billion dollars in the third quarter of 1955. Prices on the average have been fairly stable. However, prices of industrial products have been rising, especially in the last 3 or 4 months while prices of farm products have declined further. Prospects for further expansion in demand point to a continued rise in economic activity in the coming year. The gross national product and consumer incomes for 1956, as a whole, are likely to be higher than in 1955. Demands in some sectors of the economy, notably business demand for inventories and consumer demand for automobiles and housing, may not be up to the high levels of 1955. But this is expected to be offset by continued expansion in business investment in plant and equipment, a stronger consumer market for most goods and services, and increased expenditures by State and local Governments.

Most of the increase in economic activity during the past year was due to strength in consumer demand. Higher employment, a longer work week and rising wage rates contributed to a record flow of income to consumers. Per capita incomes after taxes in the third quarter were 5 percent above a year earlier. In addition, increased use of credit and reduced personal savings added materially to consumer buying. As a result, consumer spending for goods and services rose a little more than incomes, with outlays for durable goods in the third quarter more than a fourth above a year earlier. With rising incomes, consumer demand is expected to continue strong into 1956 though the increase may be smaller than that of the past year.

Expenditures for new homes have declined slightly from peak rates in the second quarter of 1955 reflecting the reduction in housing starts earlier in 1955. Some tightening in mortgage credit has occurred this year. Recent estimates of the Departments of Commerce and Labor indicate that outlays for residential construction in 1956 may be very close to levels this year. Nonresidential building so far this year totals about a fifth above a year earlier and the recent Commerce-Labor report indicates some further rise in 1956.

Business outlays for new plant and equipment were at a record annual rate of 29 billion dollars in the third quarter, about 13 percent above the reduced first quarter level. A further moderate expansion is scheduled for the last quarter with manufacturing investment outlays nearly a fifth above the first quarter. Almost all major industries have increased investment spending. According to a recent survey of business investment plans by the McGraw-Hill Company the momentum of this upswing in business capital outlays will continue into 1956. Present business plans indicate expenditures for plant and equipment in 1956 some 13 percent larger than in 1955 with manufacturing up 30 percent. Higher corporate earnings and larger depreciation reserves this year than last are available to support further expansion in business investment.

A continued build-up in business inventories is in prospect. Despite recent increases, inventories are low relative to business sales. If economic activity expands as expected, a moderate increase in inventories may extend well into 1956 and still not result in excessive stocks compared to the volume of trading. However, if the rise in inventories should accelerate and become excessive in the winter and spring, inventory demand would ease and tend to moderate the rise in economic activity.

Federal Government purchases of goods and services are expected to remain at about current levels with little change in national security outlays. Although spending by State and local Governments has slowed some this year, the general uptrend is expected to continue into 1956. Building programs for schools, highways and other local facilities are still expanding.

Commodity Highlights

Prices of cattle in 1956 may begin a gradual cyclical recovery; sheep and lamb prices also are expected to average as high next year as in 1955. Prices of hogs will probably be lower than the previous year in the first half of 1956, but will compare more favorably later and for the year may average not much below 1955.

Milk production and consumption in 1956 are both likely to be above this year's levels. Prices to farmers are not likely to change much in the coming year and cash receipts will likely average slightly higher.

Farm production of eggs, chickens, and turkeys are all expected to be larger in 1956 than in 1955. Prices may average a little lower than this year.

Supplies of food fats in 1955-56 will be about as large as the 1954-55 record quantity and will probably far exceed domestic use. Exports will likely be sufficient to prevent much change in carryover next year. Prices of most food fats will average lower than the year before.

The supply of feed grains and other concentrates is at a record high of 197 million tons for the 1955-56 season. Feed prices are expected to average lower in the 1955-56 feeding season than in 1954-55.

Wheat supplies for the 1955-56 marketing year are estimated at 1,941 million bushels, a record and 65 million above last year. The rice carryover jumped from 7.6 million hundredweight last year to 26.7 million on August 1 this year. As a result, acreage allotments in 1956 will be cut 15 percent below this year's allotment. Rye acreage seeded in 1956 is expected to be about the same as the 1955 acreage of 2.1 million.

Domestic demand for fresh and processed fruits is expected to be as strong in 1956 as this year while exports may rise moderately. Production may be a little larger.

Prices received by growers for fresh vegetables this fall will probably be above last fall; supplies are somewhat smaller than a year ago. Because of a larger crop, storage holdings of potatoes on January 1, 1956 are expected to be larger than a year ago; indications are that growers in Florida and Texas will increase the acreage of potatoes for 1956 winter harvest compared with average a year earlier.

The supply of cotton in the United States is now estimated at 25.8 million bales compared with the previous record of 24.6 million bales set in 1939-40. The carryover at the end of the 1955-56 season will probably set a new record. Exports are down sharply from a year earlier; August and September exports were far below August last year and indications are that shipments continued to run well below a year ago in October.

Higher production and larger stocks point to a greater world supply of wool during the 1955-56 season.

Domestic use of flue-cured and burley tobacco will probably be larger in 1956. The supply of flue-cured is very large--both carryover and production are records. The burley supply is about the same as last year's record.

Prices for naval stores are expected to remain close to current levels for the remainder of 1955 and well into 1956; a small increase in prices is possible next year. CCC stocks of rosin and turpentine will show a substantial reduction this year.

Consumption of lumber is expected to remain high next year--perhaps declining slightly. Lumber output for 1955 is estimated at about 7 percent above last year and the largest since 1925. Pulpwood consumption this year is estimated at 13 percent larger than last. The demand for paper and board is exceptionally high and some further increase is expected in 1956.

DOMESTIC DEMAND CONDITIONS

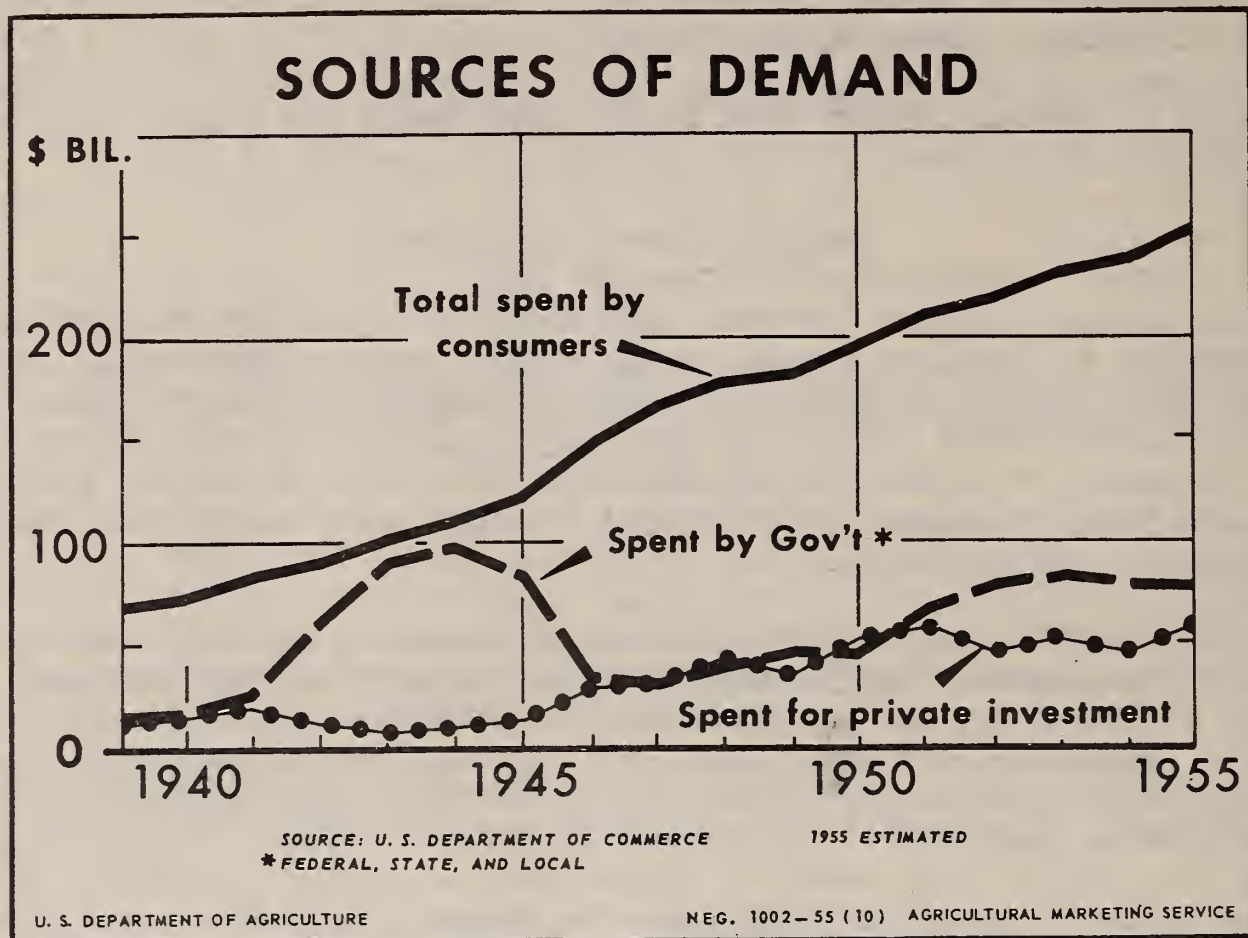
The domestic market for food and other farm products is at a high level and is expected to continue strong in the coming year. Consumer incomes after taxes, the best general indicator of domestic demand conditions, rose to a record rate in the third quarter of this year, nearly 7 percent above a year earlier. Prospective trends in economic activity point to higher average incomes next year. Consumer expenditures for food are expected to increase in response to the higher incomes.

A substantial part of the increase in economic activity during the past year was in the consumer sector especially in automobiles and housing. Business investment in new plant and equipment and in inventories also has increased this year. Production and employment rose in response to expanding demand. With rising output, wholesale prices during the past year averaged very stable as the decline in farm prices approximately offset rising prices in industrial products. At current high rates of production, a further expansion in demand may result in selective price increases for industrial products and possibly in a slightly higher general level of prices in 1956.

MAJOR SOURCES OF DEMAND

Total spending for goods and services and the distribution of the corresponding income flow to Government, business and consumers determines the level of economic activity and the strength of the consumer market. The gross product or expenditure of the economy totaled a record of nearly 392 billion dollars in the third quarter, 33 billion or 9 percent above a year earlier. Consumer purchases of goods and services accounted for 18 billion of the increase with nearly half of this gain due to a rise of more than a fourth in expenditures for durable goods. The gain in outlays for residential building added another $2\frac{1}{2}$ billion dollars to the spending flow. The remaining increase of about 12 billion dollars was in investment spending of which the shift from inventory liquidation to accumulation accounted for more than 7 billion dollars. Demands from the Government sector of the economy changed very little as further decline in national security spending was approximately offset by the uptrend in outlays by State and local Governments.

Prospects for further expansion in consumer demand for goods and services, in business investment outlays and in expenditures by State and local Governments point to a continued rise in economic activity in 1956. But the rise next year is likely to be slower than during the past year. Auto sales and outlays for residential housing may not match the record levels of 1955.

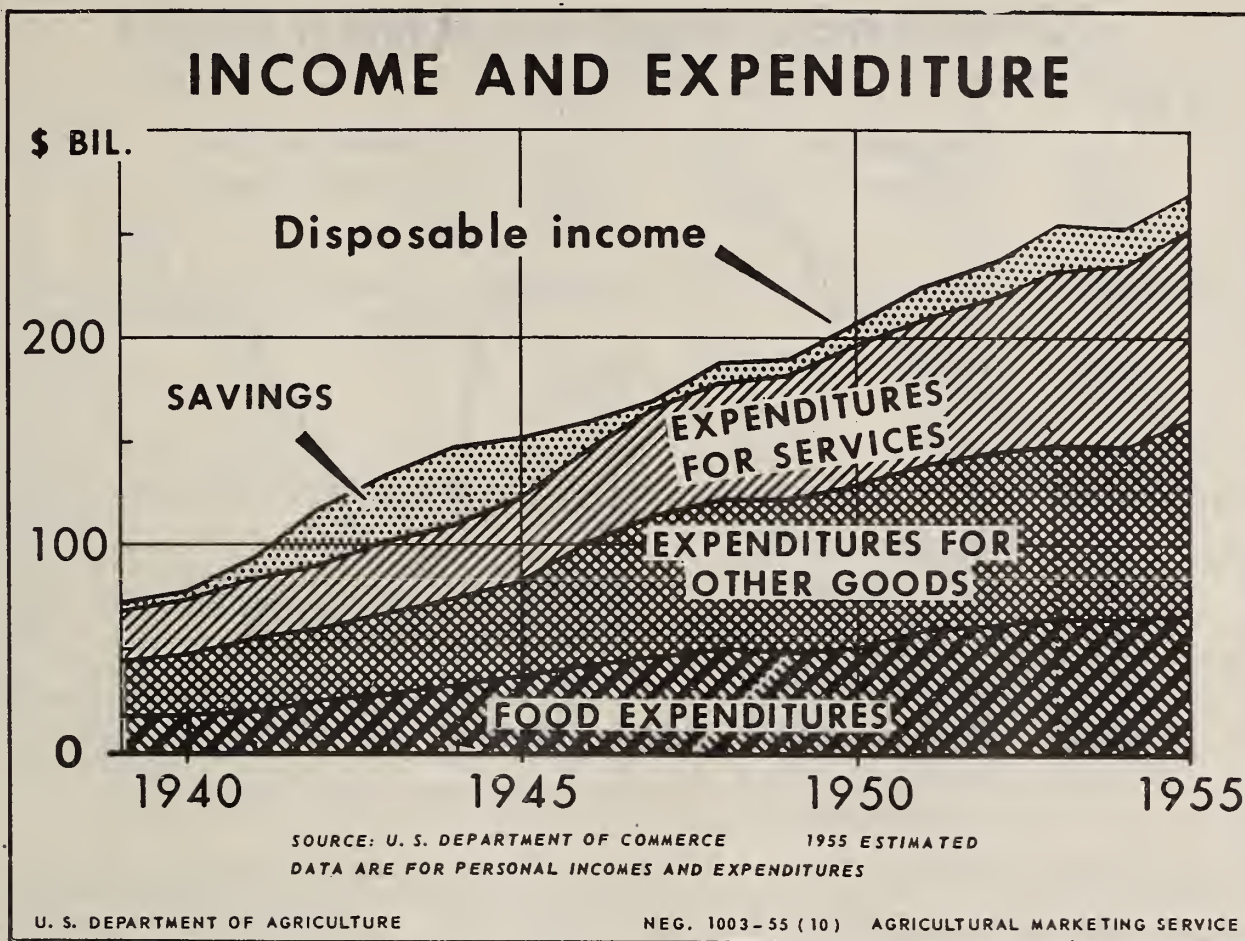


Consumer Income and Spending At Record Rates

Higher employment, a longer work week and rising wage rates contributed to the record flow of income to consumers and to a strong consumer market for goods and services. Consumer income after taxes was at a record rate of nearly 272 billion dollars in the third quarter and per capita incomes were 5 percent above a year earlier.

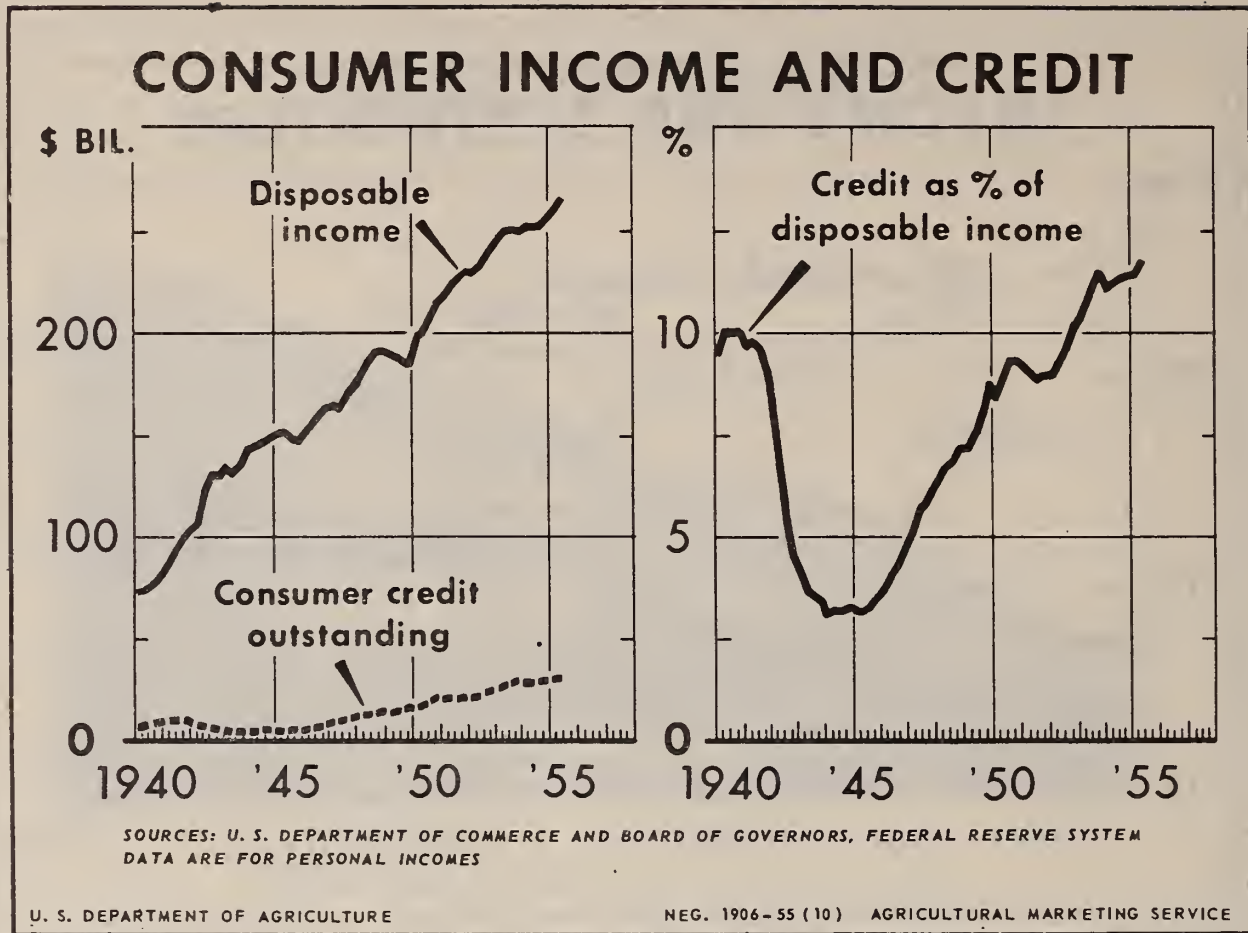
Employment rose to more than 65 million in the third quarter of this year, nearly 5 percent above a year earlier. The length of the work week also increased and wage rates reached new highs, about $4\frac{1}{2}$ percent above a year earlier. In addition to rising incomes, consumer buying was supplemented in the past year by a sizable increase in the use of credit, especially for the purchase of new automobiles and homes. There was also a reduction in personal savings; in the third quarter savings totaled less than a year ago and the rate of savings out of disposable income was the lowest in recent years.

With rising economic activity and higher production, employment and consumer income, the consumer market is expected to strengthen in 1956 for most goods and services.



Credit Adds to Buying Power

Use of credit added materially to the substantial gain in consumer purchases of durable goods during the past year. Consumer credit outstanding at the end of September totaled 34.3 billion dollars, a net gain of more than 5 billion from September 1954. Nearly 4 billion of this increase was for automobiles for which credit outstanding totaled 14 billion dollars. Combined installment credit outstanding totaled 27 billion dollars at the end of September. Other installment credit also increased during the year as did charge accounts and other noninstallment credit. Total consumer credit outstanding at the end of September was equal to a record of about 12 1/2 percent of the annual rate of consumer income after taxes. This ratio is well above the levels of recent years and is somewhat above prewar ratios. Apparently there is a trend toward use of more credit in consumer buying of durable goods.



Consumer Buying at Record

Reflecting record incomes, expanded use of credit and reduced savings, consumers were buying in the third quarter at a record annual rate of 256 billion dollars, more than $7\frac{1}{2}$ percent above July-September 1954. The rise in spending reflected increases for all major groups of consumer goods.

Outlays for durable goods rose about 8 billion dollars to a record rate of 37 billion in the third quarter, more than a fourth above a year earlier. Automobiles and parts, which make up around one-half of total spending for durables, accounted for most of the gain. It now appears that manufacturers' sales of automobiles in 1955 will be at a record level of close to 8 million units compared with 5.6 million in 1954 and the previous high of 6.7 million in 1950. Auto sales are holding up well and most manufacturers are planning another big year. Passenger car registrations totaled around 51 million units at the beginning of this year. Normal replacement may approximate 4 million units a year. Furthermore, rising incomes are enabling more families to buy a second car. In the 5 years 1951 through 1955, an average of almost 5.9 million cars were produced each year.

Table 1.- Consumer income, spending and saving, third quarter 1954 to third quarter 1955, seasonally adjusted annual rates

Item	1954		1955		
	III	IV	I	II	III
	Bil. <u>dol.</u>	Bil. <u>dol.</u>	Bil. <u>dol.</u>	Bil. <u>dol.</u>	Bil. <u>dol.</u>
Personal disposable income.....	254.5	257.8	261.0	267.1	271.7
Consumer expenditures for goods and services.....	237.9	241.0	245.8	250.5	256.0
Durable goods.....	29.4	30.4	34.4	35.1	37.2
Automobiles and parts.....	12.4	13.4	16.4	16.6	18.3
Furniture and household equipment.....	12.9	12.9	13.9	14.2	14.7
Nondurable goods.....	121.5	122.5	122.4	125.3	127.0
Food and beverages.....	74.0	74.4	74.0	75.9	77.5
Clothing and shoes.....	19.5	20.0	19.8	20.5	20.4
Other.....	28.0	28.1	28.6	28.9	29.1
Services.....	87.0	88.1	89.0	90.2	91.8
Personal saving.....	16.6	16.8	15.3	16.6	15.7

Outlays for furniture and appliances and for building materials also registered sizable gains the past year. Sales of these items are likely to be well maintained in the coming year even if there is a small decline in home building from the high levels in the first half of 1955. Markets are still expanding for air conditioners, freezers, and many other household appliances.

Expenditures for nondurable goods increased $5\frac{1}{2}$ billion dollars during the last year to an annual rate of 127 billion in the third quarter. Expenditures for food and beverages and outlays for clothing and shoes were up nearly 5 percent. Expenditures for other nondurable goods also increased. Outlays for nondurable goods are expected to rise farther in the coming year.

Expenditures for services in July-September this year were at an annual rate of 91.8 billion dollars, nearly 5 billion above a year earlier. These outlays consist of such expenditures as those for housing, cleaning and laundry services, medical and personal care, education, recreation and travel and most personal business expenses. The uptrend in outlays for most types of services is likely to continue into 1956.

Expenditures for New Homes Near Record

Residential building was a major contributor to the rapid rise in economic activity in the past year. Expenditures for new homes were at a peak in the second quarter, more than a fourth above a year earlier. Outlays have since declined slightly reflecting the reduction in housing starts which began early this year.

Housing Demand Strong

The demand for housing apparently continues high even though the rate of increase in nonfarm households (urban and rural) has been declining. The number of households increased 844,000 from April 1954 to April 1955, compared with 896,000 from 1953 to 1954 and an average increase of almost a million each year for the period 1950 to 1955. Larger families have increased the demand for houses, new additions, alterations and repairs. Apparently the rise in the number of nonfarm dwelling units in recent years has been in the one-family units rather than apartments. With rising incomes and continued growth and migration of the population, demand for housing is expected to be well maintained in 1956.

Table 2.- Residential building: Related statistics, 1948 to 1955

Year	Outlays for new dwelling	Nonfarm housing starts	Nonfarm family formation (new house- holds) 1/	Average cost of dwelling construction	Disposable income per household
	Dollars	Thousands	Thousands	Dollars	Dollars
1948	7,500	914	1,443	7,850	4,628
1949	7,257	989	1,571	7,625	4,461
1950	11,525	1,352	1,592	8,675	4,732
1951	9,849	1,020	1,308	9,300	5,063
1952	9,870	1,068	967	9,475	5,202
1953	10,555	1,068	949	9,950	5,404
1954	12,070	1,202	896	10,625	5,434
1955 2/	14,765	1,300	844	11,500	5,629

1/ Change in households each year, i.e., figure for 1955 is change from April 1954 to April 1955.

2/ Estimated.

Home Building Eases

Starts of new dwellings in September were at a seasonally adjusted annual rate of nearly 1 1/4 million units compared with almost 1.4 million in the first quarter of this year. The moderate decline probably reflects to a considerable extent the tightening in the money market and rising construction costs. Interest rates on prime commercial paper rose from 1 1/2 percent last January to 3 1/2 percent in mid-October.

Banks have sold large amounts of Government securities, reduced their excess reserves, and increased their borrowings from Federal Reserve Banks in order to meet the expanding demand for business credit. On the other hand, the Federal Reserve Banks have raised rediscount rates from 1 1/2 to 2 1/4 percent this year in order to curb further credit expansion. These actions in addition to the increase in rates changed by the Federal Home Loan Banks, have tended to limit available mortgage funds and raise interest rates.

Rising costs also may have discouraged some home construction. Building material prices in August this year were 5 percent above a year earlier. Lumber prices averaged 6 percent higher and prices of most metal products, concrete and clay products also rose. With weekly earnings of construction workers a little above a year earlier, the composite index of construction costs in August was about 4 percent above August 1954. Continued high levels of construction activity may result in some further rise in building costs next year.

Home starts may ease some further in view of the tight money market, increased costs and announced credit curbs on FHA and VA loans. In late July, minimum down payments were increased and repayment periods shortened on all FHA and VA assisted housing. Despite some decline since mid-year, Government assisted housing starts still represent about 55 percent of total private nonfarm housing starts. Most of the decline in recent months was in housing financed by FHA.

A recent appraisal by the Departments of Labor and Commerce forecasts housing starts in 1956 at about 1.2 million which is close to current rates but below the average for 1955. Outlays for new households also would decline a little from 1955. Much of the drop would be offset by increased outlays for larger and more expensive houses and for alterations, repairs and additions to older homes.

Business Investment Demand Strengthening

Business investment in new plant and equipment was at a record annual rate of 29 billion dollars in the third quarter, 13 percent above the low in the first quarter. Expansion was most pronounced in durable manufacturing industries, railroads, gas utilities and the commercial industries.

Plant and Equipment Outlays To Rise

A further moderate increase in investment outlays is scheduled for the final quarter this year. Manufacturing industries plan capital outlays at nearly a fifth above the reduced first quarter rate with the durable goods industries up a fourth and nondurables about an eighth. Manufacturers of most major hard goods lines are participating in the rise this year. Among the nondurable manufacturers, largest capital expansion is being made in the paper, chemicals and rubber industries. Investment by the commercial group (trade, service, communication, finance and construction) continues to rise each quarter. For the year as a whole, the above increases add to increased investment outlays this year over last in all major industry groups except mining which may total 8 percent less and nondurable manufactures about 2 percent smaller.

The current uptrend in business investment spending probably will continue into 1956. The economy in general is operating close to capacity levels and a further expansion in demand is in prospect. Corporate profits and gross business savings (retained earnings and depreciation reserves) are running well above a year ago. There is a strong investment demand for automation, modernization and other cost-reducing types of investment.

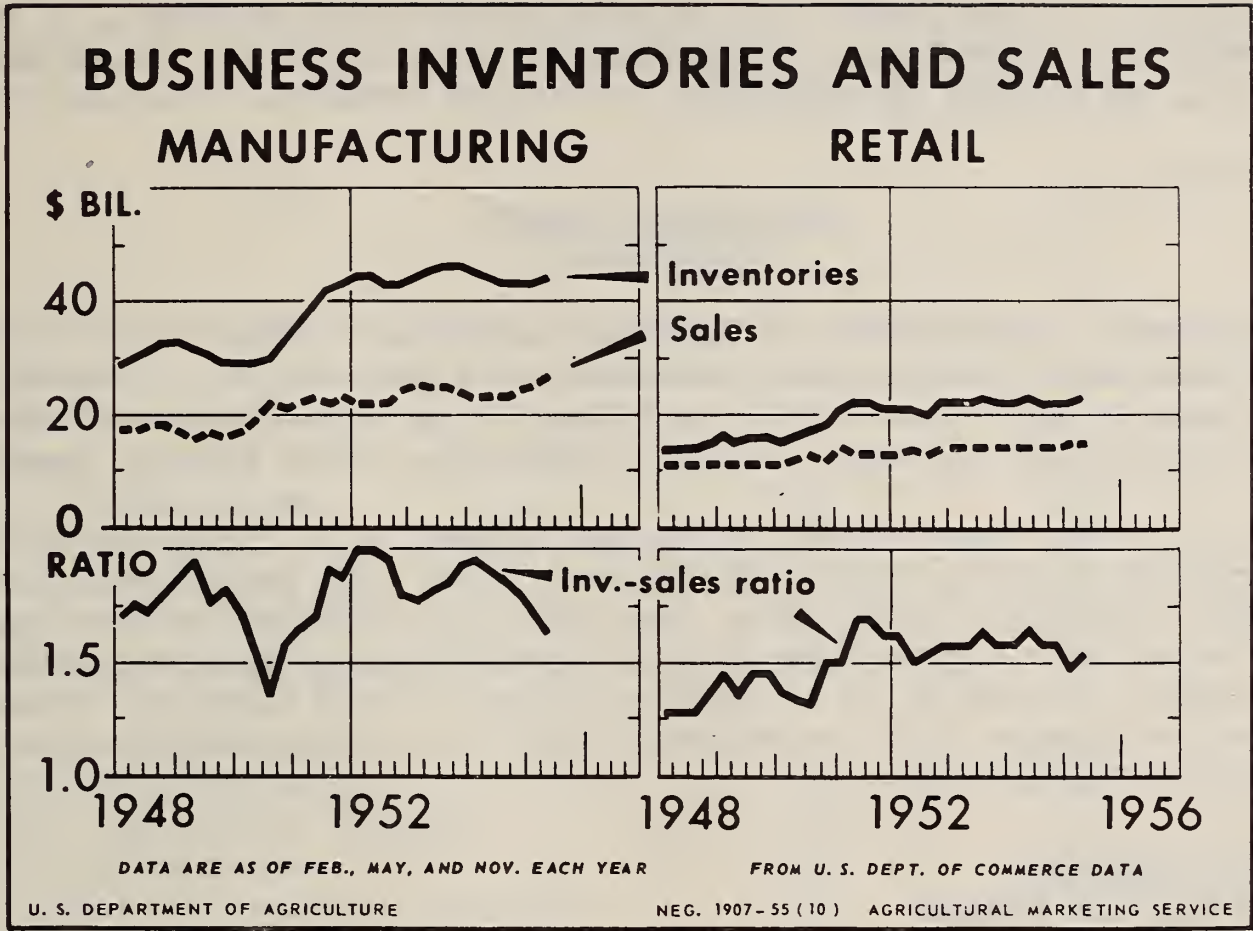
A recent survey by the McGraw-Hill Publishing Company reports business intentions to invest in 1956 about 13 percent above the average for this year. Such a level would require some further increase from rates scheduled for the last quarter of this year. Manufacturers as a group plan investment outlays next year 30 percent larger than in 1955 with very large increases scheduled for iron and steel, nonferrous metals, and automobiles. Among the nondurable industries substantial capital outlays are planned for the chemical, paper and rubber industries. Railroads and other transportation industries and the commercial industries also reported plans to make larger capital outlays in 1956.

Table 3.- Investment expenditures, third quarter 1954 to third quarter 1955, seasonally adjusted annual rates

Item	1954		1955		
	III	IV	I	II	III
	Bil.dol.	Bil.dol.	Bil.dol.	Bil.dol.	Bil.dol.
Gross private domestic investment	45.9	50.7	54.1	60.1	60.3
New construction	28.5	29.4	31.2	32.6	32.8
Residential nonfarm	14.2	15.0	16.1	16.9	16.7
Other	14.3	14.4	15.1	15.7	16.1
Producers' durable equipment	22.2	21.9	21.5	23.2	25.1
Change in business inventories	-4.9	-.6	1.5	4.3	2.4
Net foreign investment	-.7	.9	-.4	-.7	-.5

Non-Residential Building Continues to Rise

Outlays for all private non-residential building (seasonally adjusted) have risen each month over the past year and in October were 16 percent above a year earlier. During the first 10 months of 1955 private construction other than residential totaled 11 percent above a year earlier. Industrial building was up 17 percent and commercial construction 37 percent from the first 10 months of 1954. Other non-residential building was up a tenth reflecting increases in religious, recreational, and hospital construction. With prospects for a continued high level of residential building and further increases in business investment, total non-residential construction probably will rise further in coming months. A recent appraisal by the Departments of Commerce and Labor points to a continued rise in most types of non-residential building.



Public construction in the first 10 months of this year totaled slightly above a year earlier. Substantial declines for public housing and industrial building nearly offset increases for military facilities, schools, sewer and water facilities and some other types of public building. Publicly financed construction is expected to rise in 1956.

Inventory Buildup Moderate

After more than a year of inventory liquidation, businessmen began rebuilding stocks at a moderate rate this year. A fairly sizable buildup occurred in the second quarter. But with further increases in economic activity the rate of accumulation slowed in recent months. Sales increases during the past year have exceeded inventory gains and ratios of stocks to sales are generally below last year. Stocks of durable goods relative to business sales are well below a year ago with reduced ratios at manufacturing, wholesale and retail levels. Stock-sales ratios for nondurable goods are only slightly below levels a year ago reflecting the moderate rise in sales of nondurable goods.

Business inventories as a percentage of gross expenditures for products are well below last year and below levels of recent years. With the uptrend in economic activity, a continued rise in inventories is in prospect. If economic activity expands as expected, a moderate inventory buildup may extend well into 1956 and still not result in excessive inventories compared with the volume of trading.

Government Demand
Maintained

Government expenditures for goods and services totaled 75.8 billion dollars in the third quarter, about the same as a year earlier. Federal expenditures are down by more than 2 billion dollars from July-September 1954 with declines in both major national security outlays and other Federal spending.

In the coming year Federal Government expenditures for goods and services are not expected to change much. The Review of the 1956 Budget in August estimated Federal spending a little less than one billion dollars below fiscal 1954-55. Outlays for national security programs in recent quarters have held around an annual rate of 40 to 41 billion dollars. With expanding economic activity it now appears that the Federal Budget will be approximately in balance for the 1955-56 fiscal year.

Spending By State and
Local Governments Rising

Expenditures by State and local Governments in the third quarter totaled 2 billion dollars more than the year-earlier rate. Although the increase slowed somewhat this year, the general uptrend is expected to continue into 1956.

Tighter money, rising costs and uncertainty about Federal legislation on schools and highways may be largely responsible for slowing the advance in State and local spending programs this year. However, building of schools, highways, and other local Government facilities is still expanding.

Output and Employment
Rising

Industrial Output
At Record

In response to an expanding market for most goods and services, industrial output rose to a record level in the third quarter. Production of the nation's mines and factories was about 14 percent above a year earlier. Construction activity increased more than a tenth and farm output was at a record. Some further expansion in demand is in prospect for 1956 but no great pressure on productive resources is indicated. Employment increased to 65.1 million in the third quarter, nearly 3 million workers above a year earlier. With increased employment and a longer work week, the rise in productivity apparently was moderate.

Table 4.- Index of industrial production by major industrial groups, third quarter 1954 and 1955 with percentage change

(1947-49=100)

Group	Average July-September		Percentage change
	1954	1955	
			Percent
Industrial production:	123	140	13.8
Durable manufactures	135	158	17.0
Primary metals	104	140	34.6
Metal fabricating	148	169	14.2
Clay, glass and lumber	117	140	19.7
Furniture and miscellaneous	122	135	10.7
Nondurable manufactures	114	125	9.6
Textiles and apparel	98	108	10.2
Rubber and leather products	100	119	19.0
Paper and printing	126	138	9.5
Chemicals and petroleum products	142	160	12.7
Foods, beverages and tobacco	105	106	1.0
Minerals, total	110	120	9.1

Production of durable goods increased 17 percent with the big expansion in demand for automobiles, housing and related metal products. Steel mills were operating at 100 percent of rated capacity in late October for the first time this year. In July-September last year they were operating at less than 65 percent of capacity. As a result, output of metals increased nearly 35 percent from third quarter 1954 to July-September this year. A record number of automobiles will be produced this year--possibly 8 million compared with 5.6 million in 1954. Production of major household durables in July-September were up about a fifth from a year earlier. Output of the clay, glass and lumber industries also increased about a fifth as construction activity rose to record levels. Expansion in demand for producers' durable goods brought forth a sizable gain in output of machinery and production of farm machinery and equipment advanced from the relatively low levels of 1954.

Sales, Inventories, New
Orders and Production

Output gains reflect the sizable expansion in markets for durable goods. Sales at retail in the third quarter totaled nearly a fifth above a year earlier. Retail inventories increased but much less relatively and ratios of stocks to sales at retail are well below a year earlier. Manufacturers' stocks relative to sales in the third quarter also were well below a year earlier. Manufacturers' orders, deliveries and inventories increased in response to larger sales--orders were up more than 40 percent and deliveries nearly a fourth.

Table 5.- Durable goods sales, inventories, new orders and production
third quarter 1954 to third quarter 1955, seasonally adjusted

Item	Unit	1954		1955		
		III	IV	I	II	III <u>1/</u>
Retail:						
Sales	Mil. dol.	4,826	4,986	5,270	5,533	5,748
Inventories	Mil. dol.	10,237	10,023	10,313	10,690	10,803
Stock-sales ratio	Ratio	2.12	2.01	1.96	1.93	1.88
Manufacturers:						
Deliveries	Mil. dol.	10,964	11,060	12,246	13,218	13,700
Inventories	Mil. dol.	23,852	23,966	24,041	24,307	24,800
Stock-sales ratio	Ratio	2.18	2.17	1.96	1.84	1.81
New orders	Mil. dol.	10,105	11,081	12,555	13,748	14,500
Order backlogs <u>2/</u>	Mil. dol.	45,138	44,146	44,734	45,534	48,400
Production	:1947-49=100:	135	141	147	153	158

1/ Preliminary data for manufacturers.

2/ Unadjusted.

Production of nondurable goods has eased slightly in recent months but in the third quarter was nearly a tenth above a year earlier. Gains during the year were large for all major groups except food and beverages where the increase was small. With increasing retail sales, manufacturers' orders and deliveries rose about a tenth from the third quarter of 1954. Inventories increased only slightly and ratios of stocks to sales were further reduced at both the retail and manufacturing levels.

Table 6 .- Nondurable goods; sales, production and inventories, third quarter 1954 to third quarter 1955, seasonally adjusted

Item	Unit	1954		1955		
		III	IV	I	II	III <u>1/</u>
Retail:						
Sales	Mil. dol.	9,386	9,532	9,627	9,788	9,915
Inventories	Mil. dol.	12,187	12,033	12,073	12,293	12,513
Stock-sales ratio	Ratio	1.30	1.26	1.25	1.26	1.26
Manufacturers:						
Deliveries	Mil. dol.	12,146	12,457	12,724	13,378	13,400
Inventories	Mil. dol.	19,281	19,268	19,220	19,224	19,500
Stock-sales ratio	Ratio	1.59	1.55	1.51	1.44	1.46
New orders	Mil. dol.	12,099	12,509	12,768	13,463	13,500
Order backlogs <u>2/</u>	Mil. dol.	2,715	2,639	2,892	3,020	3,400
Production	:1947-49=100:	114	118	122	126	125

1/ Preliminary, based on incomplete data.

2/ Unadjusted.

Employment Higher

More than 65 million workers were employed during the third quarter of this year, nearly 3 million more than a year earlier. About $2\frac{1}{2}$ million of the gain was in the nonagricultural working force. Manufacturing and trade industries accounted for much of the increase. With the rise in employment, there was a gain in the civilian labor force of nearly 2 million and a reduction of about a million in the number unemployed to an average of 2.3 million for July-September.

The 2-million increase in the labor force during the year was unusually large. Including released military forces, the civilian male labor force increased by more than 600,000 while the number of women in the labor force

Table 7 .- Employment and Labor Force, third quarter 1954 and 1955

Item	July-September		Percentage change
	1954	1955	
	Millions	Millions	Percent
Civilian labor force	65.4	67.4	3.1
Employment	62.2	65.1	4.7
Nonagricultural	54.9	57.4	4.6
Agricultural	7.3	7.7	5.5
Unemployment	3.2	2.3	-28.1

increased by 1.3 million. Rates of economic activity in prospect for 1956 suggest a high level of employment. If the gain in the working force next year is more normal, unemployment is likely to remain relatively low.

Commodity Prices
Average Fairly Stable

Prices in general have held very stable on the average during the past year as the substantial rise in demand was accompanied by increased output. The urban consumer price index in July-September was 114.7 percent of the 1947-49 average compared with nearly 115 a year earlier. Food and home furnishing prices averaged lower as did retail prices of commodities in general. However, prices of most services and rents continued to rise slowly. Prices paid in rural areas for family living items averaged about one percent below the third quarter of 1954 with lower food prices accounting for most of the decline.

Table 8.- Index of wholesale prices, selected groups,
third quarter 1954 to third quarter 1955

Group	(1947-49=100)					
	1954			1955		
	III	IV	I	II	III	
Wholesale prices:						
All commodities	110.3	109.7	110.2	110.2	111.0	
Farm products	95.2	92.1	92.6	92.4	89.0	
Food, processed	106.1	103.7	102.9	102.8	102.2	
All other than farm and food	114.4	114.7	115.5	115.6	117.5	

Wholesale prices also held steady until mid-1955. With further expansion in demand and rising costs, the price rise for some industrial products began to pick up around mid-year and in July-September averaged nearly 3 percent above a year earlier. Most of the increase reflected higher prices for rubber and products, metals and products, lumber products and some other industrial materials. However, wholesale prices of farm products at central markets averaged about $6\frac{1}{2}$ percent below the third quarter of 1954 and prices of processed foods were about 4 percent lower.

With the economy in general operating near a capacity rate in the third quarter, some further increase in demand may well result in selective price advances for industrial products and a slightly higher average level of prices in 1956.

FOREIGN DEMAND

During 1954-55 free world foreign countries were in an improved international financial position, with economic activity and world trade reaching record levels. Foreign gold and dollar assets increased over 2 billion dollars during the year (table 9), and except for the United Kingdom and Cuba, the ten best foreign customers for U. S. farm products shared in this improvement. Nearly 1.8 billion of the net increase in foreign assets represented a surplus arising from transactions with the United States. Net U. S. Government economic grants and loans and military expenditures abroad alone contributed more than 5 billion to foreign dollar availabilities during fiscal 1954-55. U. S. private capital investment and travel were at record levels. Current trends in the U. S. balance of payments, including higher levels of both imports and exports, indicate that foreign countries will continue to build up dollar assets though at a reduced rate.

Table 9.- Estimated gold and dollar holdings of foreign countries and international institutions, June 1954 to June 1955 1/

Area	Holdings June 30, 1955	Change from	
		Dec. 31, 1954	June 30, 1954
	Million dollars	Million dollars	Million dollars
Canada	2,538	-78	75
Continental Western Europe	12,295	643	1,669
Sterling area	4,229	-11	-348
Latin American Republics	3,708	37	-13
Asia	2,393	170	346
All other	308	18	15
Total foreign countries	25,471	779	1,744
International institutions	3,675	115	311
Total above	29,146	894	2,055

1/ Excluding Soviet bloc.

Government Programs
Assist Exports

Foreign takings of U. S. agricultural commodities increased in 1954-55 by 7 percent in value and 12 percent in volume from a year earlier. Exports totaled 3.1 billion dollars, of which nearly 30 percent moved under foreign aid and other Government export programs (table 9). In addition, about one-fifth of the exports outside of these programs benefitted from Government subsidies,

such as payments to exporters or sales of CCC stocks below domestic market prices. Government export programs were largely responsible for export gains in wheat and dairy products. Substantial export increases in animal and vegetable fats and oils were partly due to these Government programs.

Exports under Government programs including those moving under barter could exceed 1.2 billion dollars in 1955-56. Of this amount 760 million dollars was authorized before the year began (including 310 million for cotton) and 250 million represents anticipated USDA donations and other relief shipments. Some cancellations and deferred deliveries have already been announced under foreign currency sales commitments; nevertheless, the increase in such shipments over last year is expected to contribute to the maintenance of export volume.

Record Foreign Supplies Limit
Demand for U. S. Products

The high level of foreign dollar availabilities together with United States export programs could enable foreign countries to finance a large volume of imports from the United States. However, the growth in foreign production of our major export commodities, and a tendency in importing countries to keep stocks at low levels in face of relaxed international tensions and anticipated price declines is limiting the foreign demand for U. S. products.

Foreign wheat production is estimated at 440 million bushels more than last year. With smaller foreign stocks, the increase in foreign supply may still total 348 million bushels. A similar situation exists for corn with the net increase in foreign supply of 347 million bushels. On the other hand, foreign supplies of oats and barley are smaller. In the case of rice, exportable supplies abroad are lower; the anticipated increase in foreign production will be more than offset by a smaller carryover.

The increase in foreign cotton production is currently estimated at 1.2 million bales, with foreign stocks still in excess of 10 million bales. In the case of tobacco, while foreign production of flue-cured remains high, stocks in importing countries are believed to be at minimum levels.

Other factors clouding the U. S. export picture are foreign restrictions on dollar imports still being maintained for balance-of-payment or protective reasons; the weakened financial position of the United Kingdom, our best customer; and, the deterrent effect on imports in general resulting from anti-inflationary monetary policies adopted by countries in Europe and elsewhere.

The Export Outlook

Preliminary estimates for the current fiscal year indicate about the same volume of agricultural exports as in 1954-55. A large share of total exports will continue to move under the various Government export programs which enable the United States to compete more effectively in the world market.

The export outlook for major U. S. export commodities shapes up about like this:

Wheat and flour: With Government export programs, about the same quantity may be exported as in fiscal 1954-55 despite increased foreign supplies. However, price competition may reduce value below last year.

Rice: The recent pick up in U. S. shipments to Japan, more competitive U. S. prices, and lower exportable supplies abroad are expected to result in some recovery following the severe export decline of last year.

Coarse grains: Expanding livestock population abroad and a better quality wheat crop in Europe (much of last year's low grade wheat was fed), together with large U. S. supplies at competitive prices should increase U. S. exports. Substantial barter and foreign currency sales are anticipated.

Cotton: Exports have dropped sharply so far this fiscal year, despite large commitments under Government export programs. Increased foreign production, lower foreign prices and reduced mill demand abroad are largely responsible for the downward trend of U. S. exports.

Tobacco: A substantial increase is expected in view of high levels of economic activity abroad, little change in foreign production, low foreign stocks and large U. S. supply but primarily because of increasing sales for foreign currency.

Fats and Oils: Continued large exports are in prospect in view of large U. S. supplies and attractive prices for lard, tallow soybeans and soybean oil. Total quantity exported may be somewhat below last year when large CCC liquidations of cottonseed and linseed oil swelled exports. Sales for foreign currencies are gaining in volume.

Table 10.- United States agricultural exports, total and shipments under specified Government programs, 1953-54 and 1954-55

Commodity group	Government financed exports 1/					Barter 2/	Total		Percent
	Grants	Loans	Foreign currency	sales	Total		including all other	financed or bartered 3/	
	Mil. dol.	Mil. dol.	Mil. dol.	Mil. dol.	Mil. dol.	Mil. dol.	Mil. dol.	Mil. dol.	Pct.
Bread grains									
1954-55	70	10	153		233	98	498	66	
1953-54	123	---	40		163	22	450	41	
Coarse grains									
1954-55	24	---	19		43	23	239	28	
1953-54	26	---	2		28	9	237	16	
Cotton and linters									
1954-55	96	59	126		281	4/	691	41	
1953-54	164	113	27		304	---	680	45	
Tobacco, leaf									
1954-55	---	---	14		14	---	305	5	
1953-54	---	---	27		27	1	300	9	
Fats and oils									
1954-55	55	---	21		76	3	5/498	16	
1953-54	23	---	14		37	2	411	9	
Dairy products									
1954-55	128	---	4/		128	4/	5/211	63	
1953-54	70	---	---		70	---	5/156	45	
All other									
1954-55	13	---	10		23	---	701	3	
1953-54	42	---	6		48	---	702	7	
TOTAL EXPORTS									
1954-55	386	69	343		798	125	3,143	29	
1953-54	448	113	116		677	34	2,936	24	

1/ Reported shipments under Titles I and II of Public Law 480; paid shipments or expenditures under the Mutual Security Acts; disbursements under Export-Import Bank loans; market value of donations under Section 416 of the Agricultural Act of 1949, as amended.

2/ Deliveries to contractors.

3/ Excluding commodities subject to Government subsidization outside of the specified export programs. The value of exports subject to this type of assistance represented an additional 15 percent of total exports in 1954-55.

4/ Less than 500,000 dollars.

5/ Includes private exports for relief and charity not identified by name in export statistics.

AGRICULTURAL PRICES AND INCOMES

The demand for farm products arises primarily from consumer purchases of food, clothing, tobacco and alcoholic beverages; from industrial purchases of forest products, oils and some other products; and from exports to foreign countries. Domestic demand conditions point to some further increase in expenditures for food and other farm products in the coming year. But costs of distributing and processing have also increased. Prospects are for slightly higher average marketing costs in 1956, due in part to strong consumer demand for more services. This will tend to limit the effect of a further rise in income on the demand for farm products.

Expenditures for food have risen during the past year as consumers continued to spend about a fourth of their income for food. But the quantity of food used per person has changed very little in response to rising incomes. The farmers' share of the consumers retail food dollar in the third quarter of 1955 was down to about 40 percent and his share of expenditures for all farm products probably was less than a third.

Large Supplies
To Continue

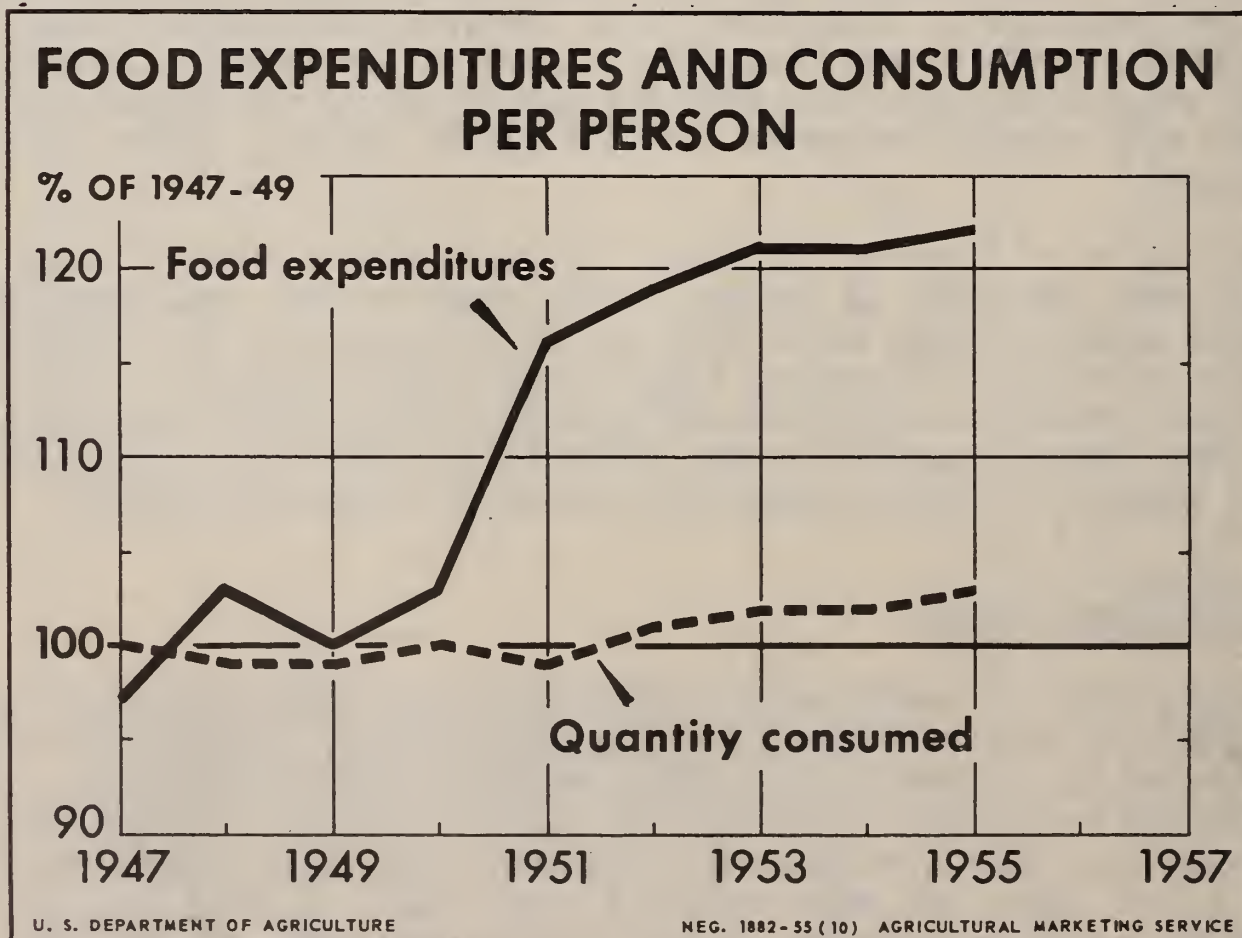
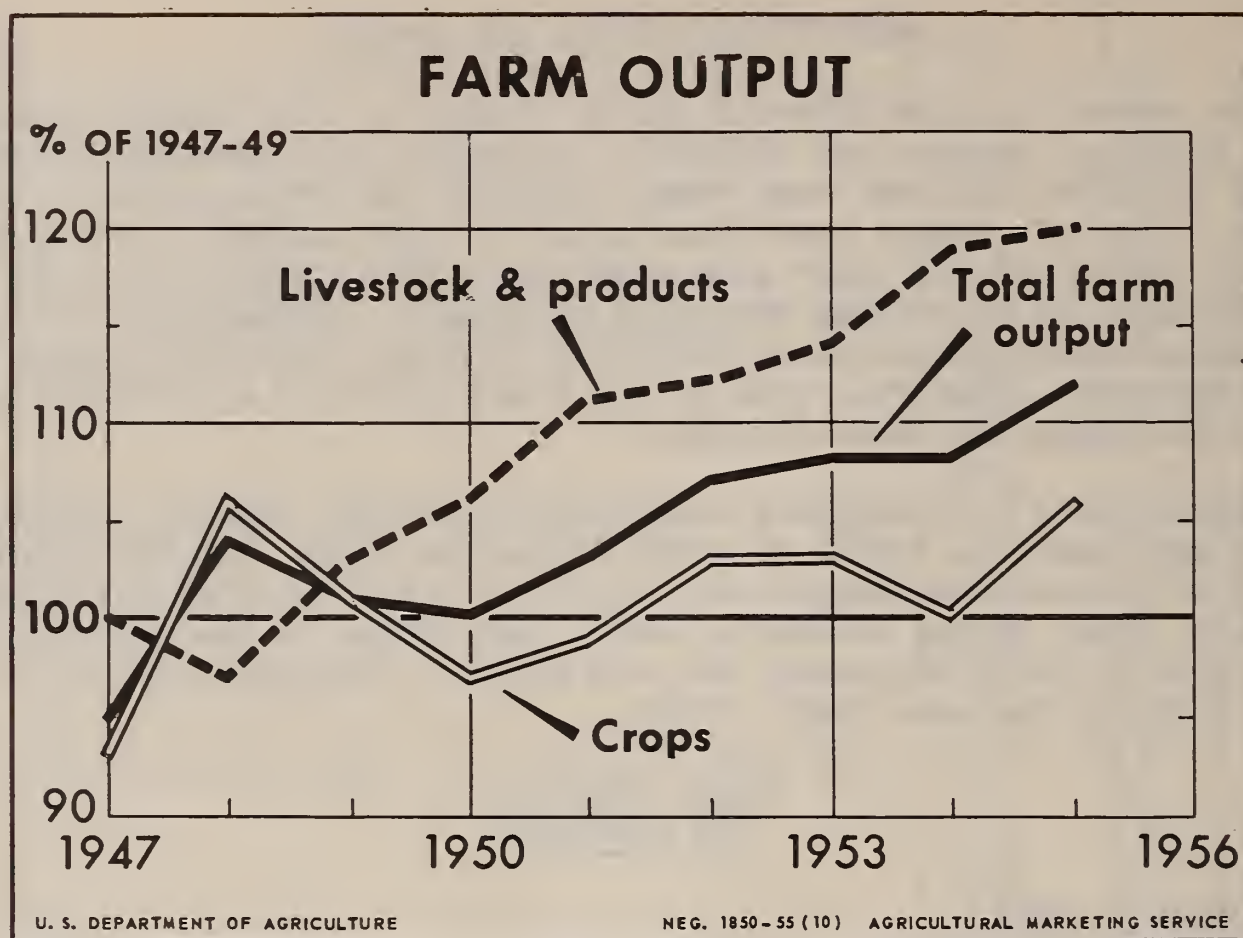
Record Output in 1955

Output of farm products in 1955, much of which will be marketed in 1956, is now estimated at $3\frac{1}{2}$ percent above the previous record of 1954. Total output held relatively steady from 1952 to 1954 at levels about 8 percent above 1950. The substantial gain over 1954 was mostly due to a 6 percent increase in crop output with sizable increases for feed grains and hay, cotton, and oil bearing crops.

Production of livestock products this year will be record large, slightly above last year, and about 14 percent larger than in 1950. Hog slaughter has been running around a tenth above 1954 and in the last half of 1955 production is expected to be 10 to 12 percent larger than a year earlier. Cattle slaughter continues around record levels and milk production so far this year is slightly above 1954. Egg and broiler production in 1955 will total above last year while numbers of turkey raised will be about 4 percent smaller.

Big CarryoversMostly Government Owned

Large stocks of wheat, cotton, corn and other feed grains and fats and oils were carried over into the 1955-56 marketing year. Most of these commodities are owned by or under loan to the Commodity Credit Corporation. The wheat carryover in mid-1955 totaled 1,021 million bushels of which 990 million were held by CCC. Rice stocks totaled a record 27 million hundredweight, virtually all of which was owned or under loan to CCC. Some 8.1 million bales of the August 1 cotton carryover of 11.1 million was owned or under loan to CCC. Only about a fourth of the record feed grain carryover of nearly 40 million tons were "free" stocks while some 850 million bushels of the 1,024 million-bushel



carryover of corn were held by or under loan to CCC. The CCC holdings of fats and oils are negligible and its stocks of dairy products have been materially reduced.

Production Prospects For 1956

Crop production in 1956 may not equal the record output this year if growing conditions are average. With more nearly average yields and prospective acreage restrictions smaller 1956 crops are in prospect for cotton, wheat, rice, some feed grains and tobacco. Big supplies and relatively low prices for feed grains point to record production of livestock products again in 1956. Production of meat animals in 1956 will likely be maintained around record levels. Output of dairy products has increased in recent months and is expected to total in 1956 somewhat above the 124 billion pounds estimated for 1955. Production of eggs, chickens and turkey are all likely to be larger in 1956 than this year.

Table 11.- Total carryover of major farm commodities
at beginning of marketing year, 1953 to 1955

Commodity	: Year :beginning:	Unit	: 1953	: 1954	: 1/1955
Wheat	: July	: Mil. bu.	: 562	902	1,021
Corn	: Oct.	: Mil. bu.	: 769	920	1,050
Total feed grains	:	: Mil. tons:	: 27	31.8	39.5
Cotton	: Aug.	: Mil. bales:	: 5.6	9.7	11.1
Soybeans	: Oct.	: Mil. bu.	: 10.1	1.3	5.0
Tobacco	: 2/	: Mil. lb.	: 3,654	3,719	4,041
Rice (Rough)	: Aug.	: 1,000 cwt.:	: 1,515	7,557	26,700
Dairy products	: Sept.	: Mil. lb.	: 12,329	16,967	12,944

1/ Preliminary estimates.

2/ July 1 for flue-cured and cigar wrapper and October 1 for all other types.

Prices Reflect Big Supplies

The index of prices received by farmers in the third quarter averaged 235 percent of the 1910-14 average, about $4\frac{1}{2}$ percent lower than a year earlier. Crop prices averaged 6 percent lower reflecting large supplies and lower support levels for wheat, the minor feed grains and some oilseeds. Largest relative declines were registered for oil-bearing crops, particularly cottonseed, and for potatoes and sweetpotatoes. The potato crop this year is about 8 percent larger than the 1954 crop. Commercial vegetable prices (for fresh market), the only group showing any significant increase, averaged 11 percent higher than July-September 1954; the fall vegetable crop is smaller than a year ago while consumer demand is stronger. With total deciduous fruit production about 4 percent larger than last year and citrus crops a little bigger, fruit prices in the third quarter averaged about 7 percent below a year earlier.

Prices received for livestock and livestock products in the third quarter were around 3 percent below the same period of 1954. Hog prices in the third quarter averaged 22 percent below a year earlier, while slaughter was up about a tenth. Prices of beef cattle were unchanged from a year earlier and marketings continued large. Prices of dairy products and poultry and eggs averaged higher. Supplies of dairy products are about the same as last year and demand is somewhat stronger. Egg prices are higher this year even though output has been running above a year earlier. Strong demand appears to be the chief reason for higher egg prices.

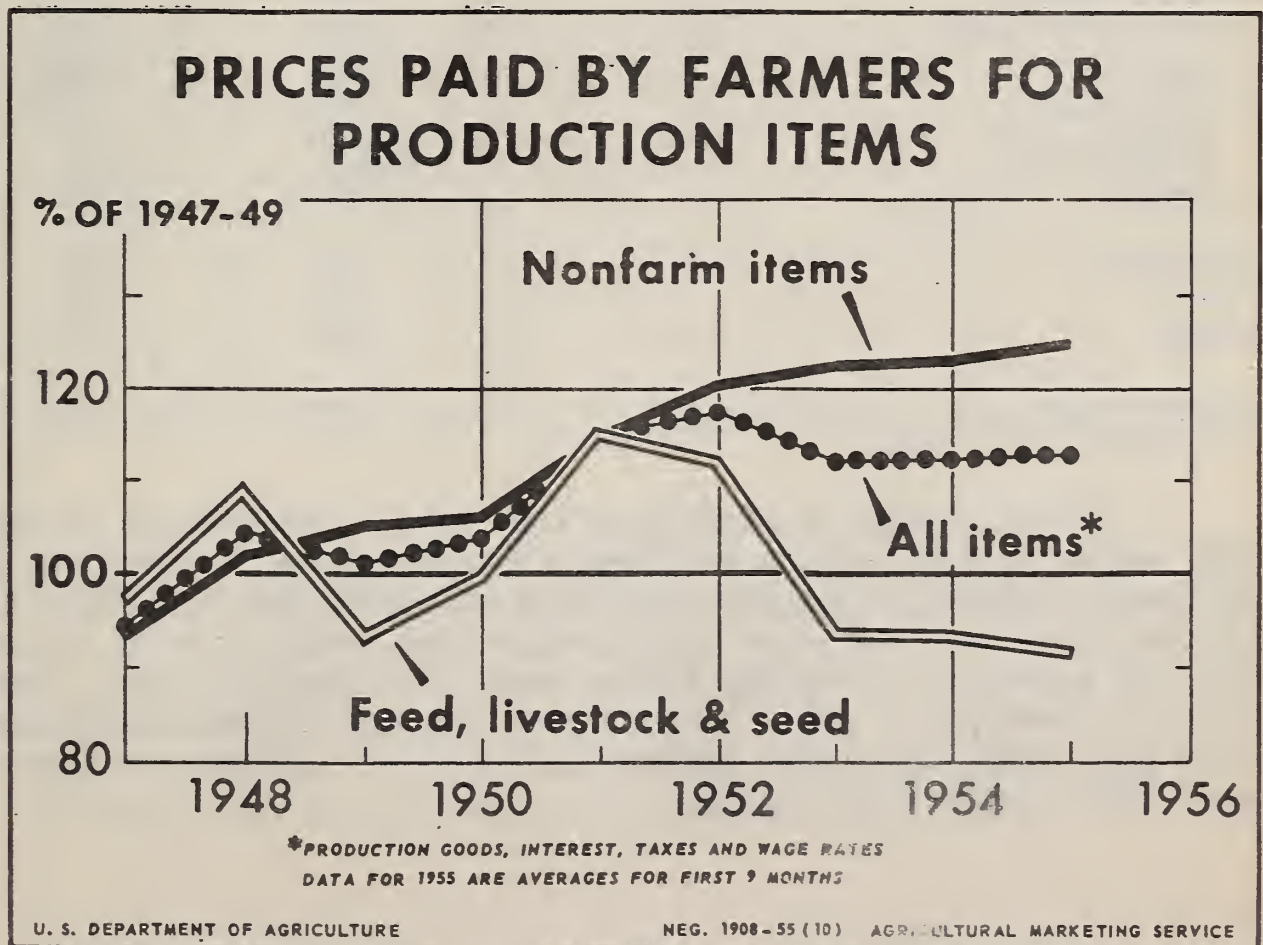
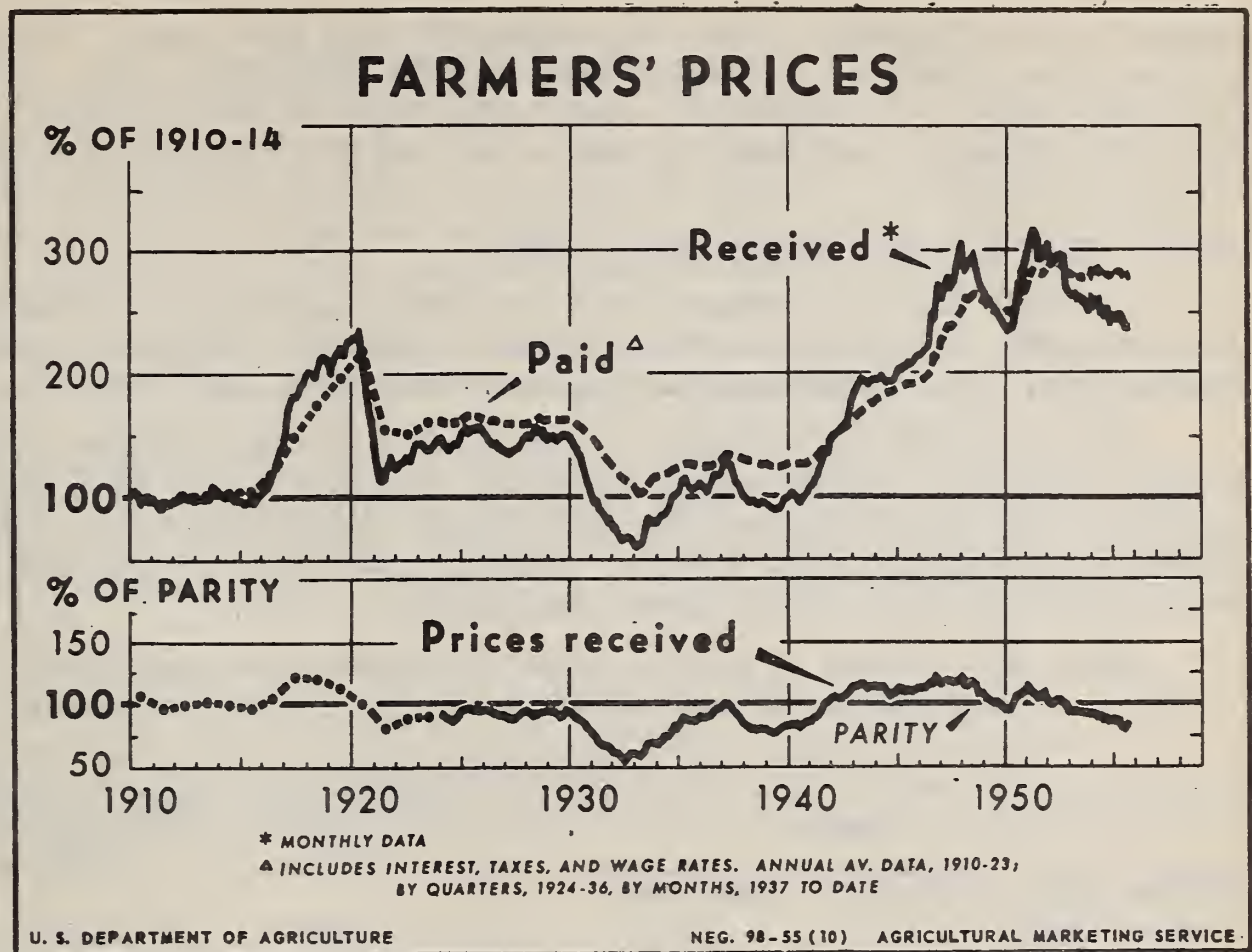
Table 12--Prices received by farmers for specified commodities, third quarters 1954 and 1955 with percentage change

Commodity	Unit	Third quarter 1954	Third quarter 1955	Percentage change
		Dollars	Dollars	Percent
Wheat	Bushel	2.03	1.93	- 5
Corn	do.	1.52	1.31	-14
Cotton, upland	Pound	.336	.329	- 2
Soybeans	Bushel	3.07	2.14	-30
Potatoes	do.	1.36	.78	-43
Oranges ^{1/}	Box	2.73	1.58	-42
All crops	1910-14=100	247	232	- 6
Hogs	Cwt.	20.40	16.00	-22
Beef cattle	Cwt.	15.70	15.80	1
Milk, wholesale	Cwt.	3.91	^{2/} 3.98	2
All chickens, live	Pound	.214	.237	11
Eggs	Dozen	.352	.395	12
All livestock and products	1910-14=100	246	238	- 3
All farm products	1910-14=100	247	235	- 5

^{1/} Equivalent on-tree returns for all methods of sales.

^{2/} Preliminary.

Farm product prices in 1956 may average slightly below this year but close to current levels. In view of prospects for somewhat stronger domestic demand, prices of livestock products in 1956 may average around levels this year. Hog prices, which declined substantially from 1954 to 1955, are expected to average close to 1955 in the coming year. The hog-corn price ratio, which is currently near the long-time annual average, does not suggest a substantial



change in next spring's pig crop compared with this year. Crop prices in general are likely to average lower in 1956 than this year. Supplies will continue large. In addition, some reductions in price-support levels could occur for wheat, rice, cotton, and corn, under provisions of present legislation.

Prices Paid Steady; Parity Ratio Lower

Prices paid by farmers this year have held fairly steady around 1954 levels. But with lower average prices received, the parity ratio in the third quarter this year averaged 84 compared with 88 a year earlier.

Prices paid by farmers in the third quarter averaged fractionally below a year earlier. Higher costs for motor vehicles, farm machinery, seed, and building and fencing materials, and higher wage rates were offset by lower prices for feed and fertilizer. Taxes on farm real estate and interest payments are also higher this year than last.

Table 13.--Index of prices paid by farmers and specified components for third quarter of 1954 and 1955 with percentage change

(1910-14 = 100)			
Item	: 3rd quarter : : 1954	: 3rd quarter : : 1955	: Percentage : change
Prices paid, interest, taxes and wage rates	: : 280	: : 279	: : Percent - 0.4
Living items	: 276	: 273	- 1.1
Production items	: 249	: 247	- .8
Feed	: 225	: 206	- 8.4
Livestock	: 275	: 281	2.2
Fertilizer	: 1/155	: 1/152	- 1.9
Seed	: 1/224	: 1/228	1.8
Interest	: 126	: 136	7.9
Taxes	: 391	: 409	4.6
Wages	: 505	: 510	1.0
Parity ratio	: 88	: 84	- 4.5

1/ September index.

Little change in average prices paid by farmers is in prospect for 1956. The supply outlook points to lower average prices for feed and possibly slightly lower average prices for livestock and seed than in 1955. However, prices of farm machinery and some other industrial products have increased recently and are expected to average higher next year than in 1955. Farm wage rates also are running a little above a year ago and probably will average higher in 1956 than this year. The uptrend in interest and real estate tax payments per acre will continue into 1956.

Farm Incomes
Reflect Lower Prices

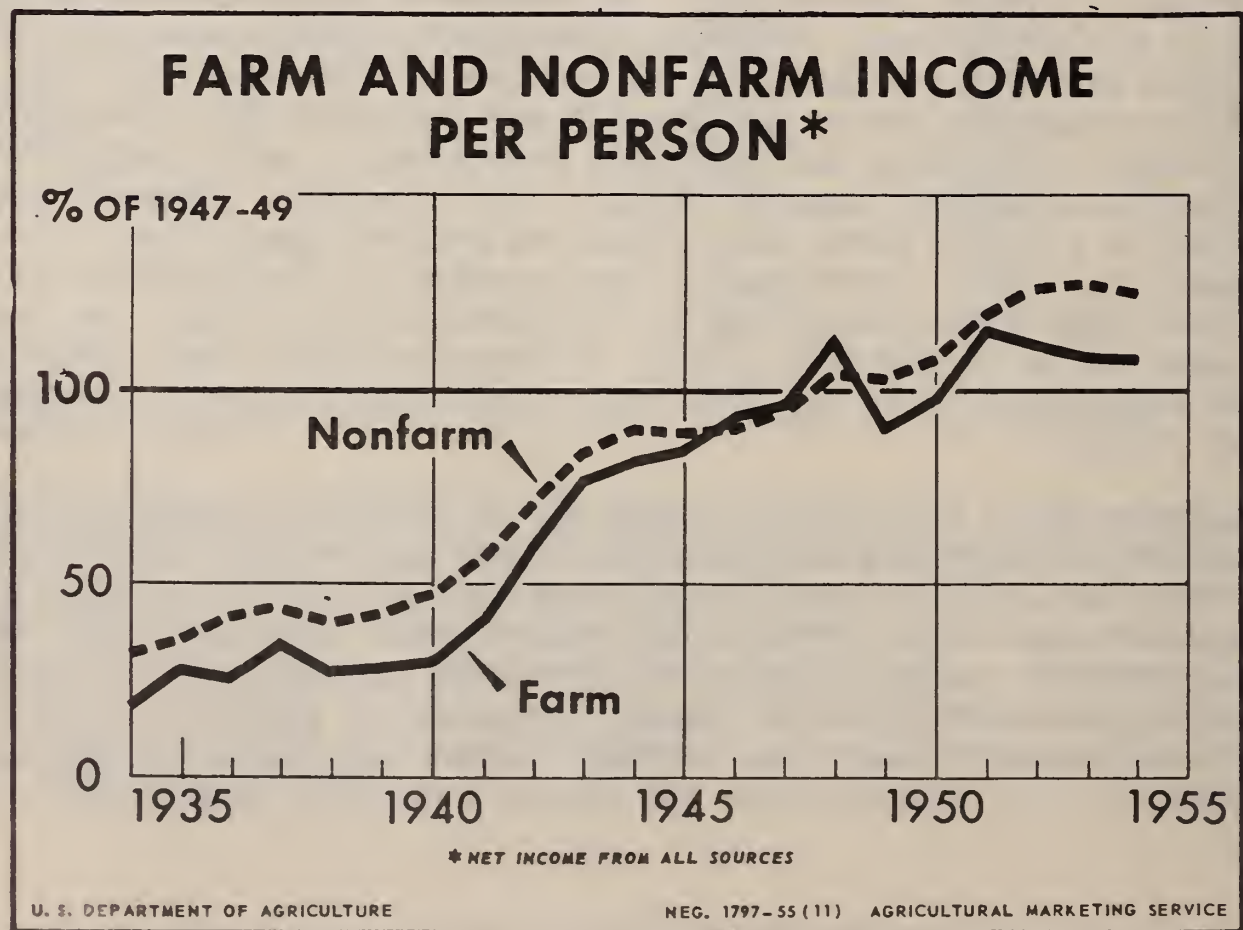
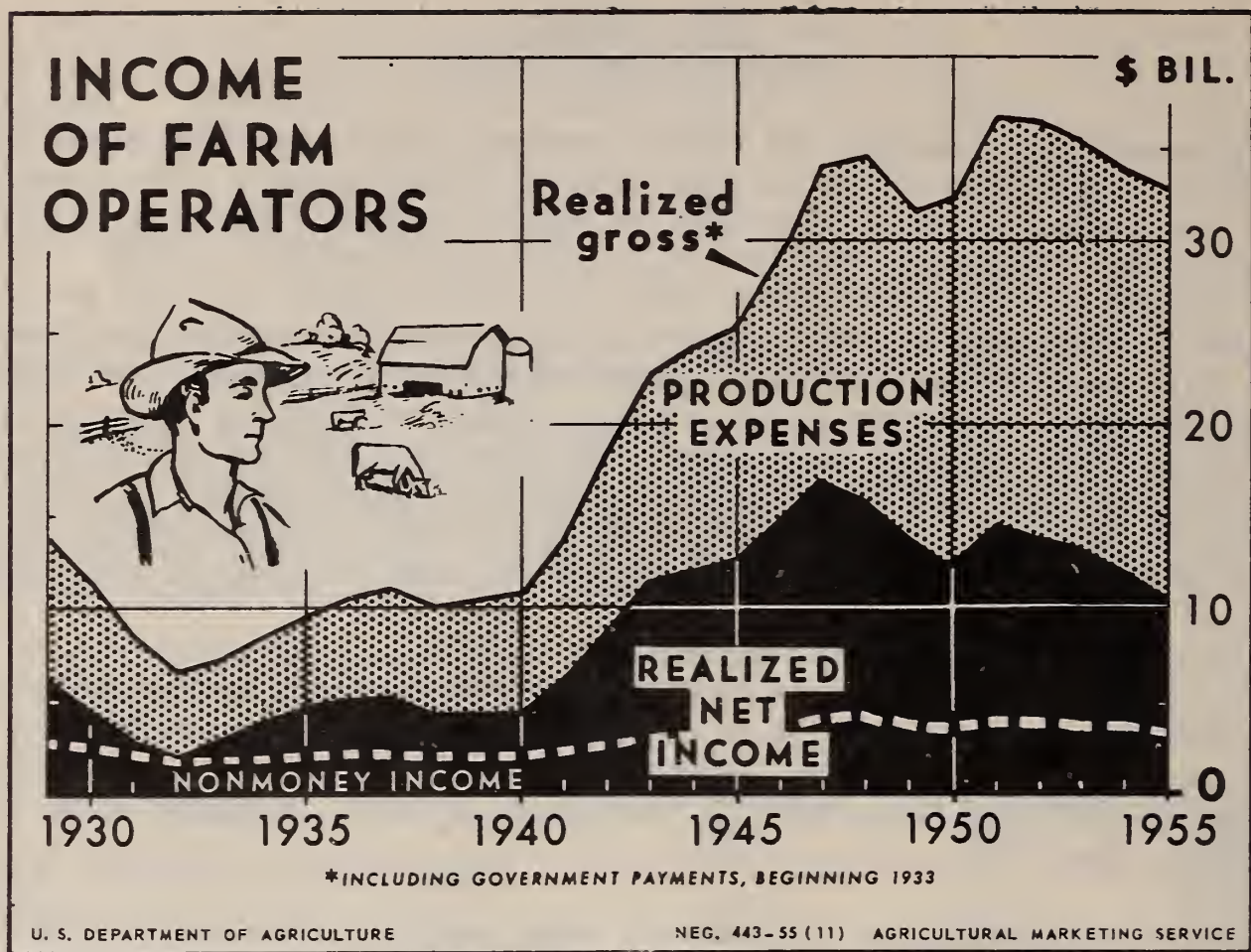
Farmers' cash receipts so far this year total about 4 percent below a year earlier while production expenses are slightly higher. Consequently, realized net income of farm operators in 1955 is running about a tenth below a year earlier. Prospects for 1956 point to some further decline.

Lower average prices to growers account for the decline in farmers' cash receipts this year. Receipts from livestock products in the first 9 months of 1955 totaled about 5 percent below a year earlier reflecting sharply lower prices and reduced receipts from hogs. Receipts from dairy products were about the same as last year and those from poultry and eggs slightly higher. Crop receipts this year are running about 3 percent below a year earlier as declines for wheat and cotton are only partly offset by larger receipts from soybeans, tobacco and vegetables.

For 1955, as a whole, cash receipts probably will be down about a billion dollars from the 30.2 billion reported for 1954. With production expenses up slightly, tentative estimates indicate the farm operators' realized net income in 1955 may be around 10.6 billion dollars, compared with 11.8 billion reported for 1954.

Some further decline in farmers' cash receipts from marketings is in prospect for 1956. Receipts from livestock products may total as large and perhaps slightly larger than in 1955, if farmers bring an end to the current expansion in hog production. Receipts from dairy products may be a little larger. Crop receipts are likely to be smaller in 1956 than this year. Further acreage restrictions on cotton and tobacco and prospects for somewhat lower yields on these crops along with possible reductions in price support levels for some products suggest somewhat smaller crop receipts. Farmers' production expenses may be a little lower as a result of reduced expenditures for feed, a major expenditure item. Interest and tax payments on farm products will be larger. Farm wage rates and prices of many industrial products are increasing and are expected to be higher in 1956. It seems unlikely that reductions in production expenses in view for 1956 will offset significantly the drop in gross farm income.

Declines since 1951 in net income per farm and in income per person on farms from all sources have been much less than the drop in total realized net income. This reflects the rather rapid reductions in farms and farm population which averaged close to 2 1/2 percent a year between 1950 and 1954. With farm income down and the farm population fairly stable between April 1, 1954 and April 1, 1955, some reduction in income per person on farms in 1955 is indicated even though income from nonfarm sources was probably improved by expanded nonfarm job opportunities and higher industrial wage rates.



LIVESTOCK AND MEAT

Strong consumer demand for meat, increased supplies and lower prices of feed, and continuing emphasis on livestock as a source of income have lifted production of meat animals to record volume in 1955 and will keep it very nearly as large in 1956. Production of hogs, which has increased in the past year, may level out or turn down in 1956, but the number to be slaughtered will moderately exceed 1955. Cattle numbers and slaughter at a record high in 1955, may be down only a little in 1956. Sheep numbers also may show a slight decline during 1956.

Meat output will not change much in 1956. Output of pork will go up a bit while that of beef, veal and lamb might decrease by a small amount. Consumption per person is at a 47-year high of 161 pounds in 1955 and will likely be close to that figure in 1956.

Prices of cattle in 1956 may begin a gradual cyclical recovery. Prices of sheep and lambs also may average as high in 1956 as in 1955. Prices of hogs will probably be lower than the previous year in the first half of 1956, but will compare more favorably later and may average not much below 1955. While substantial price increases are not in view, larger supplies and lower prices of feed will help reduce costs in meat animal production.

Production of hogs increased in 1955 for the second successive year. The spring crop was up 9 percent and producers planned a 10 percent gain in the fall crop. Increases in slaughter brought lower prices. However, the price of corn also has been down, and the hog-corn ratio not far from the long-run annual average. Consequently, the 1956 spring pig crop is not expected to change much from 1955. No sizable reduction in pig crops is likely before the fall of 1956.

The rate of hog slaughter will be considerably above this year in the first half of 1956, but about the same in the second half. For the year as a whole, slaughter will total moderately larger. The supply of pork for consumption which rose 6 pounds to 66 pounds per person in 1955, will likely go up only a pound or so more in 1956. The 2-year decline in prices of hogs is expected to end during the year, and the year's average is likely to be close to that of 1955.

Slaughter of cattle and calves increased 2 percent in 1955. Cow and heifer slaughter was up considerably, but steer and calf slaughter decreased slightly. Prospects are for numbers of cattle on farms in January 1956 to be down a little from 1955. Because of the larger 1955 slaughter of breeding stock, which will likely result in reduced calf crops in 1956 and later, numbers will probably continue cyclically downward for several years. However, the decrease promises to be less than in previous cycles. Strong demand for beef and large supplies of feed are preventing the usual sharp cyclical down-trend.

Strong demand and ample feed have especially supported the cattle feeding enterprise and encouraged retention of young stock for feeding. About as many cattle are likely to be fed this feeding year as last. Prices of fed cattle

this winter, though perhaps strengthening somewhat from their fall level, will be considerably below their highs of last winter. Cattle slaughter may be reduced slightly in 1956 and cattle prices generally may begin a slow recovery. Fed cattle prices could be higher in the fall of the year than this past fall. Profits in feeding may be no more than average, but might prove better than the past year in the longer feeding programs.

Sheep and lamb slaughter for 1955 will total about 2 percent above 1954. As the lamb crop was 1 percent smaller, another small reduction in inventory numbers is anticipated in January 1956. Slaughter may be slightly smaller next year, and prices as high or a bit higher than in 1955.

DAIRY PRODUCTS

Milk production has been above a year earlier in recent months and for 1956 is likely to be significantly greater than the 124.5 billion pounds in prospect for 1955. Consumption also is likely to show another increase, in line with population growth, but the supply likely would again exceed demand at support levels. However, prices to farmers for milk and butterfat in 1956 again will be influenced by the price-support level that is yet to be announced for the marketing year that begins April 1, 1956.

The number of milk cows on farms in 1955 was a little lower than in 1954 but with a higher average production per cow, total milk flow gained about 1 billion pounds over the previous record of 1954. Several long-term developments, such as improvements in quality of cows, better roughages, and the adoption of more efficient production and marketing practices, point to continued gradual increases in milk production. In addition, relative improvements in the economic position of dairying make an increase in milk output likely for 1956. These stem mainly from the fact that dairy prices during the past year have improved relative to prices for feed and some alternative products, especially hogs.

The increase in population next year, with consumption at the same rate per person as in 1955, would take about 2 billion pounds more milk, about equal to the likely gain in production. It is probable that cash farm receipts from dairy products will increase slightly over the 4.2 billions of 1955. Net incomes to dairymen may improve a little since increases in costs for some manufactured commodities will be partly offset by declines in feed and some other items.

With continued expansion in consumer incomes and lower retail prices for manufactured dairy products following the reduction in support levels in April 1954, civilian consumption of dairy products from commercial sources increased slightly during 1955. Domestic distribution of butter and cheese from price-support holdings also have helped to increase domestic consumption. Consumption of fluid milk and cream continues to show moderate increases over a year earlier partly as a result of the special programs to increase consumption of milk by

school children, military personnel and Veterans' hospital patients. In total, per capita consumption of milk products will be about 710 pounds in 1955 compared with 699 pounds in 1954 and the record low of 688 pounds in 1953.

Purchases of dairy products by CCC have run one-third smaller this year than last. With a sharply stepped-up rate of disposition of price-support stocks in both domestic and overseas outlets, stocks owned by CCC have been sharply reduced.

POULTRY AND EGGS

More eggs, chickens, and turkeys are likely to be produced on farms in 1956 than in 1955. Higher poultry product prices in 1955, have made gross returns above feed costs sufficient to induce expansion for the coming year, particularly in view of the prospect that feed prices will continue relatively low. Eggs and broilers are setting new production records this year and the number of turkeys produced is only about 4 percent below the 1954 record.

Egg production to mid-summer 1956 is likely to average close to corresponding 1955 levels, since the 2 or 3 percent decrease anticipated in potential layers will be about offset by prospective increases in the rate of lay. After mid-summer, egg production will be increasingly influenced by the number of replacement pullets added to the laying flock. This is likely to be up since chickens raised for flock replacement are likely to increase from the 1955 low of 524 million.

Egg prices through most of 1956 are likely to average lower than in 1955. In late January, February, and March 1955 there was an unusual egg price run-up which is not likely to be repeated. Later in the spring, if expectations regarding increased flock replacement are borne out, demand for storage may be weak in anticipation of a larger egg supply in the fall than this year's record. Per capita supplies may be a little below the 1955 estimate of 417 eggs per civilian.

Increased efficiency in feed-meat conversion and continued easy financing in addition to lower feed prices than in the 1954-55 feeding year are expected to stimulate broiler producers to increase output somewhat in 1956. An increase is likely even at prices several cents per pound below the average of 26.3 cents per pound received by farmers in the first 10 months of 1955. Broiler prices in 1955 were buoyed by a sharp reduction in marketings in the first quarter, strong demand during the summer, and by reduced competition from young farm chickens later in the year, in line with the 15 percent reduction in the output of that class of poultry. At the present time there is no evidence that those price-supporting influences will be repeated. Per capita supplies of chicken meat from all sources in 1956 will probably slightly exceed the 1955 total, when 22.7 pounds (ready-to-cook) are being consumed. This level was exceeded in 1952 and 1954.

In early November 1955, live turkeys at the farm were 1 to 3 cents per pound above last year, with the larger increase for the heavier birds. Earlier in the season, the comparison with last year was somewhat more favorable, especially for heavy toms. Combined with lower feed costs, this may induce an increase in turkey numbers in 1956, above the record 65.9 million birds of 1954. In 1955, 63.1 million are being grown, 16.1 million of the small breeds and 47.0 million heavy-breed birds.

An October 1 survey by the Department of Agriculture reported that turkey breeders then intended to keep 13 percent more heavy-breed turkey hens than last year for hatching egg production, and 7 percent more light-breed hens. The Department issued a cautionary press release after this report, pointing out that early-season intentions can provide a basis for readjusting production plans from the large indicated increase. Per capita turkey consumption in 1955 is 4.5 pounds, compared with 4.9 pounds in 1954, and 3.2 pounds as the 1947-49 average.

OILSEEDS, FATS AND OILS

Supplies of food fats in 1955-56 will be at least as large as last year's record quantity with increased output offsetting reduced beginning stocks. Since the supply is well in excess of probable domestic use, exports will have to be about as large as a year ago if an increase in stocks is not to take place. This is likely to occur as other countries will need large quantities of our fats and U. S. Government programs will enable some of them to purchase our commodities with their own currency. Prices of most food fats probably will average lower than last year.

Supplies of all oilseeds and peanuts are plentiful and prices are likely to average near support but less than a year ago.

The 1955 soybean crop is estimated at 372 million bushels, 29 million more than last year. Crushings, exports and carryover stocks are likely to rise to new highs.

Cottonseed output is placed at 6,119 thousand tons, 7 percent more than a year ago. Although cotton acreage was cut sharply, due primarily to a reduction in the national allotment, yields were the highest of record.

The 1955 flaxseed crop totaled 43 million bushels. This is slightly more than a year ago and much greater than probable domestic use. Farmers placed 3.8 million bushels of flaxseed, 9 percent of the crop, under support programs through mid-October. They can continue to do so through January.

Peanut production this year, at 1,739 million pounds, is up sharply from last year's small output. A crop of this size is much greater than probable food and farm uses and a large quantity will be available for crushing, exports and for addition to stocks.

Production of tallow and greases in 1955-56 may rise somewhat above the 2,825 million pounds of a year ago because of an expected increase in hog slaughter. However, total disappearance probably will be sufficient to absorb the available supplies without much change in stocks.

Lard supplies in 1955-56 will be about 300 million pounds more than last year if production increases as anticipated. More lard probably will be used in shortening as prices are likely to be low relative to the edible vegetable oils. Present prospects suggest that exports will rise above last year's level.

There is practically no tung nut or castor bean output this year. The tung crop was severely damaged by freezing weather and about the only castor beans produced are being used for experimental and seed purposes.

FEEDS

The total supply of feed grains and other concentrates has increased in recent years to a new high of 197 million tons for the 1955-56 season, about 14 percent larger than the 1949-53 average. Big feed supplies this year are the result of record carryover stocks, large feed grain acreage, and a generally favorable growing season. Feed grain supplies are much better distributed by areas this year than in 1954-55, when feed crops were severely reduced by drought in many of the Southern States. The total supply for the country appears adequate to provide an average rate of feeding for the prospective larger number of livestock, as well as meet other domestic and export requirements, and leave a carryover into 1956-57 a little above the 39 million tons carried over this year.

The combined acreage of feed grains increased 12 percent from 1953 to 1955. The total acreage in 1955 was 9 percent above the 1949-53 average and it is expected to be maintained at a high level in 1956. With another big carryover in prospect, a normal growing season would result in another big supply of feed grains next year.

The total feed grain supply is about 11 percent larger than last year, with the increase about equally divided between larger production and larger carryover stocks. The crop of 131 million tons was 9 million tons larger than last year, and second only to the big production in 1948. About three-fourths of the big carryover, which is much larger than in any past year, was under loan or owned by CCC. Supplies of each of the 4 feed grains are larger than in any previous year. The record corn carryover of more than a billion bushels increased the total corn supply to over 4.2 billion bushels, up 8 percent from last year. Large acreages and record carryover stocks were responsible for the big supplies of other feed grains. The oats supply is 12 percent larger than last year, the barley supply 15 percent larger, and the sorghum grain supply about a third larger.

Feed prices are expected to average lower in the 1955-56 feeding season than in 1954-55. At the beginning of the current season they were substantially lower than a year earlier. In October, prices received by farmers for feed grains averaged 21 percent lower than a year earlier and the wholesale prices of high-protein feeds were 12 percent lower. Lower prices reflect big feed supplies, reduced price supports on feed grains, and the fact that many corn producers again over-planted their acreage allotments and are not eligible for price support.

Supplies of high-protein feeds are expected to be a little larger in total and per animal unit in 1955-56, with most of the prospective increase in soybean meal.

The total hay supply is about 4 percent larger than last year, and about equal to the 1949-53 average per animal unit. Supplies are much better distributed over the country this year than in 1954-55 and are adequate for livestock on farms in nearly all areas.

WHEAT

The build-up in carryover stocks of wheat is expected to be materially slowed down in 1955-56. As the result of acreage allotments and marketing quotas, production was reduced from 970 million bushels in 1954 to about 916 million in 1955. With about the same acreage likely to be seeded for grain, average yields would result in a further moderate reduction in the 1956 crop.

Total wheat supplies for the marketing year that began July 1, 1955 are now estimated at a record 1,941 million bushels, 65 million bushels above the 1,876 million bushels of a year ago. They consist of the carryover July 1, 1955 of 1,021 million bushels, the crop estimated as of October 1 at 916 million, and likely imports of 3 or 4 million, mostly feed wheat.

Domestic disappearance for 1955-56 is estimated at around 625 million bushels, somewhat above the small disappearance indicated for 1954-55. A domestic disappearance of this size would leave about 1,315 million bushels for export during the marketing year and carryover at the end of the year. The level of exports in 1955-56 will again depend upon many factors, including the size and distribution of the 1955 crop produced in countries other than the United States, and our export programs. If exports total about the same as the 274 million bushels in 1954-55, the carryover July 1, 1956 would total about 1,040 million bushels, slightly above that of July 1, 1955. This would be the smallest increase since July 1, 1953. The carryover increased from 256 million in 1952 to 1,021 million in 1955.

The national average support price for the 1956 crop will be not less than \$1.81 per bushel. The full support level will be available in the 36 commercial wheat States for producers who comply with their individual farm acreage allotments. Support rates in the 12 noncommercial wheat States are set by law at levels representing 75 percent of the rates calculated on the national average. In the noncommercial States, acreage allotments and marketing quotas will not apply.

A discount of 20 cents per bushel in 1956 price-support rates for 24 wheat varieties designated as undesirable because of inferior milling or baking qualities has been announced. The discount is limited to specific varieties in specific States. The 24 varieties are from the five major classes of wheat produced in the United States and 22 States are involved. This change in the

wheat price-support program for 1956 is designed to encourage shifts to the more desirable wheat varieties from plantings of wheat with inferior milling or baking qualities.

RICE

Rice supplies for the year beginning August 1, 1955, estimated at 79.5 million cwt., in terms of rough rice, are the largest in our history. The sharp increase in the carryover much more than offsets the reduction in production. The carryover jumped from 7.6 million cwt. (in terms of rough rice) on August 1, 1954 to 26.7 million cwt. last August.

Domestic disappearance of rice for 1955-56 is estimated at 27.3 million cwt., in terms of rough rice, slightly less than the 27.7 million cwt. estimated for 1954-55. Exports for 1955-56 are uncertain at this time. However, they are likely to be considerably higher than in the past year but probably not as large as some other recent years. Exports of as much as 25.5 million cwt. would be required to prevent a further increase in carryover on August 1, 1956. Exports totaled 14.4 million cwt. in 1954-55, and 25.2 million in the peak year of 1952-53.

Under provisions of existing legislation and with the large supplies available, acreage allotments and marketing quotas will need to be proclaimed for the 1956 crop. With the reduction in the 1956 national acreage allotment at not more than 15 percent set by legislation for 1956, the allotment will be set at 85 percent of the allotment established for the 1955 crop. This would indicate an acreage of about 1,640,000 acres (including minor producing States), compared with 1,852,000 acres in 1955 and 2,476,000 in 1954. If marketing quotas are approved, the actual acreage seeded will be close to the allotted acreage.

The average price of rice to farmers in mid-October at \$4.60 per cwt. was slightly below the \$4.66 national average support level, above the low of \$4.11 of mid-August, and above the \$4.47 of a year earlier. The 1955 national average support price of \$4.66 per cwt. of rough rice compares with \$4.92 a year ago. Farmers had placed a total of 2.6 million cwt. of rice under support as of October 15, which compares with 5.0 million cwt. a year earlier.

RYE

Rye supplies for 1955-56 total 48.0 million bushels. This includes carryover stocks of 16.2 million bushels, estimated production of 28.4 million and imports of 3.4 million (restricted by quota). This compares with 42.1 million last year and would be the largest since the 57.7 million in 1944-45. Rye disappearance in 1955-56 may be about 30 million bushels, compared with 25.9 million the previous year. The carryover on July 1, 1956 may be about 18 million bushels, which compared with 16.2 million July 1, 1955, and the 1949-53 average of 6.6 million bushels.

The 1954 rye crop is being supported at an average rate of \$1.18 per bushel, which compared with \$1.43 for the 1953 and 1954 crops. With prices generally well below the support level, farmers had placed 6.4 million bushels of rye under support through October 15. In 1954-55, they placed a record 7.3 million bushels under price support, of which 6.6 million bushels were delivered to the CCC.

The increase in the rye acreage for harvest in 1955 was associated with a decrease in wheat acreage under the allotment program. Since the wheat acreage allotment for the 1956 crop is unchanged from that of 1955, the rye acreage is expected to be about the same as the 2.1 million acres seeded for harvest in 1955. Assuming the same acreage and yields equal to the 1945-54 average of 12.5 bushels, production in 1956 would total about 26 million bushels. This would probably be less than total disappearance and a moderate reduction in the carryover on July 1, 1957 is likely.

FRUIT

With consumer incomes high and expected to increase further, domestic demand for fruit in 1956 is likely to be as strong as in 1955. Prospects for exports of fruit seem better than in the past year. Total production of deciduous fruits and tree nuts in 1956 probably will be a little larger than in 1955. Citrus production is expected to continue to trend upward.

The outlook for exports of fresh and processed fruit indicates greater market opportunities in Western Europe during the 1955-56 season than in 1954-55. Business conditions are better and standards of living have improved. Western Germany and Denmark have liberalized import restrictions on certain U. S. fruits which will affect 1955 crop exports. The United Kingdom has announced authorizations for the importation of several U. S. fruits and fruit products during 1955-56. Supplies of deciduous fruits in Europe are expected to be much shorter this season than last, which should favor exports from the U. S. Although supplies of Mediterranean citrus fruits are larger in the 1955-56 season, they will be mostly out of the way by spring when the bulk of exports of fresh U. S. citrus occurs.

With continued favorable weather, total production of citrus fruits in 1955-56 probably will be about the same as in 1954-55. Over the next few years, production of oranges and grapefruit is expected to continue to trend upward. Most of the increase in grapefruit is expected to consist of seedless white, pink, and red varieties.

Mainly because of a smaller crop of Navel and miscellaneous oranges in California, total production of early and midseason oranges in 1955-56 is expected to be slightly smaller than in 1954-55. But production of Florida Valencias will be moderately larger, according to early-season indications. These Valencias, which are marketed chiefly during February through June, are preferred for making frozen concentrate. With this prospective increase in

oranges and smaller carryover stocks of frozen orange concentrate this fall, some increase in pack of this product seems likely in 1955-56. Grower prices for oranges probably will average higher this fall and early winter than last.

The prospective 1955-56 grapefruit crop is moderately larger than the 1954-55 crop, mainly because of an increase in Florida. Carryover stocks of canned grapefruit sections are much larger this fall than last but those of canned grapefruit juice are considerably smaller. Some increase in the pack of the canned juice this season seems probable. In early November, grower prices for Florida seedless grapefruit averaged a little higher than a year earlier while prices for white seeded and pink seedless varieties averaged slightly lower. On November 1, prospects were for a 1955-56 crop of California lemons about 6 percent less than the 1954-55 crop.

The 1956 crop of deciduous fruits probably will be a little larger than the 1955 crop, assuming average weather. Production of peaches can be expected to be much larger than in 1955, especially in the Southern, South-Central, and Mid-Atlantic States, where spring freezes reduced the 1955 crops. Larger crops of apples and other fruits also can be expected in the same States. Prospective larger acreage of strawberries for harvest in 1956 indicates a heavier crop in the year ahead. But production of apricots, sweet cherries and grapes may be smaller. Supplies of apples and pears are expected to be somewhat larger this winter than last. Total production of deciduous fruits in 1955 was about 3 percent larger than in 1954. But the 1955 crop of tree nuts was about 3 percent smaller. A heavier crop of pecans can be expected in 1956.

With heavier output of raisins and dried apricots, the 1955 pack of dried fruits is expected to be moderately larger than the 1954 pack. The 1955 pack of canned fruits also is expected to be larger, and the 1955 pack of frozen fruits and fruit juices will set a new record. Some increase in output of canned citrus juices, especially grapefruit juice, is in prospect for 1955-56. To encourage exports of raisins and fresh and processed oranges and grapefruit in the 1955-56 season, the U. S. Department of Agriculture has recently announced export programs for these commodities.

COMMERCIAL VEGETABLES

For Fresh Market

The prospects for a continued high level of disposable income indicates that consumer demand for fresh vegetables in 1956 will be as strong as in 1955. Thus, prices farmers receive for these products in 1956 will depend largely on the volume produced and marketed.

During 1955 the commercial production of vegetables for fresh market was about 2 percent below that of 1954, and except for July, prices received by farmers have averaged higher this year than last.

Indications are that supplies for the last quarter will be about 3 percent lighter than in the same period of last year. Assuming no significant distortions in the normal seasonal marketing patterns, grower prices for fresh vegetables this fall should average higher than for the same months of 1954.

Supplies of onions available for storage and sale from the late summer crop are well below those of last year. Prices of dry onions this winter are expected to average above those of a year earlier. Indications are that acreage of cabbage for winter harvest will be up substantially from a year earlier.

For Processing

Consumer demand for commercially canned and frozen vegetables is expected to continue high through the 1955-56 marketing year. Although pack figures are not available on most processed vegetables, indications are that the 1955 pack may be a little larger than in 1954. Prospective reduced output of lima beans, snap beans, beets, sauerkraut, and sweet corn may be a little more than offset by heavier output of cucumbers, green peas, pimientos, spinach, and tomatoes and tomato products.

Stocks of processed vegetables were lighter at the beginning of the current pack year than a year earlier so even with a little heavier pack, total supplies during the 1955-56 marketing year are not expected to differ much from those of the 1954-55 season. If consumer demand remains at the level currently anticipated, commercial processors probably will seek a larger tonnage of a number of vegetables next year.

POTATOES AND SWEETPOTATOES

The consumer demand for potatoes in 1956 is expected to be about the same as in 1955. With a 5 percent larger late potato crop in prospect this year than last, it is expected that storage holdings on January 1 will be larger than a year ago. And intentions reports indicated that growers in Florida and Texas plan to plant a 14 percent larger acreage to potatoes for winter harvest.

In mid-October prices received by growers averaged 72 cents per bushel, 22 cents less than a year earlier and about 48 cents less than the 1950-53 average. Through November 5 a total of 3.5 million bushels of potatoes had been diverted for starch. An additional 74,000 bushels had been diverted to livestock feed. This program together with marketing orders in many of the important producing areas are bolstering prices received by growers for 1955 late-crop potatoes. However, with supplies larger this year than last and demand expected to be about the same, prices during the next several months probably will continue to average lower than a year earlier. The expected low prices in prospect for the 1955 crop of potatoes is likely to result in some decrease in late potato acreage in many growing areas next year.

Due to record yields in 1955, the sweetpotato crop is the largest since 1950. With demand expected to be about the same as a year earlier, prices for this larger crop are expected to average well below relatively high prices received for the small 1954 crop. To assist growers in marketing their large supplies, the Department of Agriculture recently initiated a program to purchase sweetpotatoes for distribution through the School Lunch Program and other eligible outlets.

DRY BEANS AND PEAS

Domestic demand for dry edible beans and peas in 1955-56 is expected to be about the same as in 1955. Exports of dry beans may be larger than in 1954-55, while exports of dry peas are expected to be considerably smaller than the unusually large exports in 1954-55.

The supply of dry edible beans for the 1955-56 marketing year may be about the same as in 1954-55. But supports have been lowered and prices received by farmers for 1955-crop beans are expected to average lower than for the 1954 crop.

Despite the larger acreage of dry field peas in 1955, yields were extremely low and the crop is expected to be about 20 percent smaller than in 1954, and the smallest since 1940. Because of the anticipated lighter export demand, prices in the 1955-56 marketing year are expected to average moderately lower than the high level of 1954-55.

COTTON

The cotton situation for the 1955-56 marketing year is one of very large supply and increasing stocks. The 1955 crop is larger than probable disappearance and the carryover at the end of the 1955-56 season will probably be larger than the previous record of 13 million bales in 1939. The carryover, which totaled 11.1 million bales on August 1, 1955, has increased each year since the post-World War II low of 2.3 million bales in 1951.

The supply of cotton in 1955-56 is estimated at about 25.8 million bales or about 2.3 million above that of a year earlier. The 1955-56 supply is the largest on record, and compares with the previous record of 24.6 million bales in 1939-40. The large supply during the current marketing year was caused by a large starting carryover, 1.4 million bales above August 1, 1954, and an indicated high average yield per harvested acre. For the third successive year, a record high yield per harvested acre occurred in 1955, about 431 pounds. Acreage in cultivation on July 1, 1955 was about 14 percent below that of a year earlier, but the 1955 crop of about 14.6 million running bales was about 7 percent larger than the 1954 crop.

The average daily rate of domestic mill consumption during the first 2 months of the 1955-56 season has been about 7 percent above the rate of a year earlier. Domestic mill consumption of cotton for this entire 1955-56 season is expected to be above that of 1954-55, but perhaps not as much above as the first 2 months. The higher rate of cotton consumption is being caused primarily by a high level of consumer income and by low stocks of broad woven goods in relation to unfilled orders. Higher prices for gray goods and widening mill margins also indicate a high level of activity by cotton mills.

Exports during August and September 1955 of about 177 thousand bales were only 45 percent of those a year earlier. Production of cotton in the foreign free world is estimated at about 16.7 million bales, about one million bales above production in 1954. This is a major factor which may result in smaller exports in the 1955-56 marketing year than the 3.4 million bales of 1954-55.

U. S. Government financing authorized for use for cotton during the 1955-56 fiscal year totaled about 340 million dollars as of November 14. If used, these funds would finance about 1.8 million bales of cotton exports. In 1954-55 total funds used for this purpose amounted to about 281 million dollars and they financed the export of about 1.5 million bales. After January 1, 1956 the Commodity Credit Corporation will sell up to 1 million bales of 15/16 inch and shorter cotton for export on "an open competitive bid basis--possibly at prices somewhat below the minimum price limitations which control most CCC sales." Such cotton cannot be used for sales under Title I of Public Law 480, administered by the Department of Agriculture but can be used for sales under International Cooperation Administration and Export-Import Bank financing. Of the total U. S. Government funds for financing cotton exports in 1955-56 shown above, about 117 million dollars are authorized under Title I of Public Law 480.

Stocks held by CCC (owned and pledged as collateral against outstanding loans) totaled about 10 million bales as of November 4. By August 1, 1956 these stocks may increase more than do total stocks. Stocks not held by CCC probably will be smaller than the 3 million bales of August 1, 1955.

The average 14 spot market price for Middling 15/16 inch cotton has been below the average loan rate of 33.75 cents per pound for these markets since the start of the 1955-56 season. However, this price has increased in recent weeks. For example on November 14 this price was 33.73 cents per pound. A month earlier it was 33.07 cents. The average monthly price for each of the first 3 months of the 1955-56 season was also below the prices of a year earlier.

WOOL

Prospects are for a slightly larger world supply of wool during the 1955-56 season. Production is expected to be a little larger, and indications are that stocks are up slightly from a year ago. Increased capacity for producing man-made fiber is also in prospect.

Domestic production of wool next year is not likely to be greatly different from this year. Present indications as to sheep and lamb slaughter suggest little change in stock sheep on farms and ranches this year. Shorn wool production this year is about 2 percent lower than that of last year.

Mill use of both apparel and carpet wool in the United States next year probably will not differ greatly from this year. Mill use of apparel wool through September of this year was a little above the same months of last year. Mill consumption of carpet wool was up by a slightly larger percentage than that of apparel wool. The increases in mill use were reflected in larger imports. Mill use of other fiber by the woolen and worsted segments of the textile industry was also up from a year earlier and by a larger percentage than that of wool.

World consumption of wool during the first half of this year is estimated to have been slightly above a year earlier. Germany, the United Kingdom, and the United States accounted for the increase. The wool textile industry also consumed more fiber other than wool. The increase was a little larger, both quantitatively and percentagewise, than that for wool.

Domestic producers will again sell their wool in the open market next year at prices reflecting world supply and demand conditions. It now appears likely that the average of prices received in the open market next year will not be greatly different from this year and will again be substantially below the national average incentive level. So far this season, the mid-month averages of prices received have ranged from a high of 46.7 cents per pound, grease basis, at mid-April, the first month of the season, to a low of 39.5 at mid-October. The average was 53.9 cents for the 1954 season when a Government loan program was in effect.

As under the current support program, producers will be eligible for Government payments to be made after the close of the season. The payment per pound of shorn wool to the individual producer will be equivalent to the price he received in the open market times the percentage needed to bring the average return of all producers up to the incentive level. Support for pulled wool will again be effected through payments on lambs and yearlings sold for slaughter. With the incentive level for shorn wool for the 1956 marketing year the same as for the current marketing year, the average return (market price plus payment) per pound to the producer should be about the same as this year--in the neighborhood of the incentive level of 62 cents.

The decline in wool prices in domestic markets reflects the general decline of wool prices in world markets. The decline began at about the time of the opening of the 1954-55 selling season in the British Dominions. Prices abroad declined between 10 and 15 percent in the first week of September when the 1955-56 selling season opened, but have been relatively stable since then. The net decline from mid-1954 ranges from 25 to 30 percent for fine wools and from 15 to 20 percent for crossbreds. The lower wool prices reflect larger world supplies of both wool and competitive fibers. Some easing of demand for wool, associated in part with an increase in the use of man-made fiber in place of wool, also has been a factor.

TOBACCO

Domestic use of the two principal cigarette tobaccos--flue-cured and burley--is expected to be larger in 1955-56 than in 1954-55. Cigarette output in the United States may reach 415 billion this year--about 3 percent above last year when it was nearly 8 percent below the 1952 peak. Cigarette consumption is expected to continue to gain gradually during 1956. Unofficial trade reports have indicated that the share of the market occupied by filter tips has continued to increase. If the reduction in the Federal cigarette tax goes into effect on April 1, 1956, as provided by existing law, cigarette purchasers may pay about 1 cent less per pack following that date. However, in some areas, increased State taxes on cigarettes have raised prices. Also, leading king size brands are higher priced than a year ago.

The 1955-56 total supply of flue-cured is exceedingly large due to a record carryover--7 percent above last year--and a record crop--15 percent above last year. Indicated yields per acre for 1955 average about 16 percent above the previous record high. The flue-cured carryover in mid-1956, reflecting the excess of this year's crop above probable 1955-56 disappearance, will rise to a new peak--about 10 percent above the mid-1955 carryover. The Department announced a 12-percent cut in 1956 allotments on July 1. Since then the huge size of the current crop became evident, and leaders from the flue-cured area have indicated they believe a further cut is needed in next year's allotment. This would require legislative action by the Congress. Flue-cured auction marketings are nearing completion and prices for the season through November 10 averaged 52.3 cents per pound--nearly the same as last season. Deliveries for Government loans have been heavy.

The 1955-56 total supply of burley is about the same as the record of a year ago. The increase in carryover has approximately offset the decrease in production in 1955. Burley yields per acre are indicated to average near the record level of 1954 but acreage is down more than one-fifth--mainly reflecting the sharp cut in 1955 allotments. Burley marketings begin November 29. The Government support level is 46.2 cents per pound--one-fifth of a cent less than last season.

The 1955-56 total supplies of fire-cured and dark air-cured tobaccos are a little above those for 1954-55 and very heavy in relation to disappearances. The 1955 average yields per acre for most of these types are indicated at record or near record highs. The 1955 acreage allotments were cut 10 percent.

The 1955-56 supply of continental cigar filler types is a little larger than a year earlier but the 1955-56 supply of binder tobacco is smaller. Storm and flood damage in the Connecticut Valley reduced this year's production of binder and wrapper tobacco below that expected earlier.

The 1955 price support levels for fire-cured, dark air-cured, sun-cured, and eligible cigar types are close to last year's. Prices for the 1955 crops of Pennsylvania filler (type 41) and Maryland tobacco (type 32) will not be supported since marketing quotas were not approved by growers.

The increase in stocks (as of October 1) of Maryland tobacco more than offset the substantial reduction in the crop because of storm damage. The 1954-55 domestic use of Maryland tobacco (mainly in cigarettes) was lower than in 1953-54 but exports held even.

The 1955 outputs of smoking tobacco (a sizable burley outlet) and snuff (using mainly fire-cured tobacco) are estimated a little above 1954 and are expected to continue stable in 1956. The 1955 output of chewing tobacco (using mostly burley and dark air-cured tobaccos) is estimated to be down a little with the downtrend likely to continue in 1956.

Cigar consumption will probably total about 6.1 billion in 1955--1.5 percent above 1954 and should continue near this level in 1956.

Exports of leaf tobacco in the 1954-55 marketing year at about 515 million pounds (farm-sales weight) were about the same as in 1953-54. Over four-fifths of the total was flue-cured tobacco. There will be a substantial rise (around 15 percent) in tobacco exports in 1955-56 mainly due to programs providing for sales to foreign countries for their own currencies. It is stipulated that such purchases are to be over and above the normal takings of these countries. The 1955-56 exports of tobacco are expected to be the largest since the immediate postwar years.

NAVAL STORES

Prices for rosin and turpentine are expected to stay close to present levels through the remainder of 1955 and well into 1956. A slight price rise may occur early in 1956 if, as anticipated, foreign supplies of naval stores are exhausted and foreign requirements for U. S. rosin and turpentine increase.

Because of reduced stocks, supplies of rosin in the crop year beginning April 1, 1956 are expected to be slightly lower than during the current year. Production, however, probably will be higher than the 2,290,000 drums expected this year. Increases are expected in production of gum rosin and the rosin acid content in tall oil. The output of steam distilled wood rosin which is expected to be at an all time high in 1955 should level off in 1956. The supply of turpentine is expected to be about unchanged in 1956 with lower stocks offsetting increased output of gum and sulphate wood turpentine.

Reflecting increased industrial activity, domestic consumption of rosin and turpentine during the 1955-56 crop year probably will be about 11 and 6 percent, respectively, higher than a year earlier. The crop year beginning in April 1956 may see a further increase in uses. Exports of both rosin and turpentine will be lower this year because of increased foreign production, particularly in Portugal. Foreign stocks should be negligible at the end of the producing season. This factor, together with the expectation of relatively little change in foreign output, points to about the same volume of exports in 1956 as in 1955.

The present strong market situation continues the trend which began more than two years ago. Last year, all 1954 program loans were redeemed and about 15,000 drums of rosin and 3,900 barrels of turpentine were sold from CCC stocks acquired under the 1953 and prior programs. This year, the 1955 loan program has been inactive and through October about 113,000 drums of CCC rosin and 16,400 barrels of CCC turpentine have moved into consumption to fill the gap between requirements and free supplies. Before the end of the crop year, CCC stocks probably will be called on for substantial additional quantities of both rosin and turpentine.

FOREST PRODUCTS

Lumber

In response to record levels of construction and industrial activity in 1955, lumber production during the first half of the year was considerably above the level attained during the first half of 1954. For the year as a whole, construction activity indicates that lumber use will remain high. It is estimated that lumber production for the year will amount to 39.5 billion board feet, about 5 percent above 1954. The West is producing about half of the lumber produced domestically, the South 35 percent and the North 15 percent.

Imports of lumber during the first half of 1955 also have been larger than in the corresponding period in 1954 and imports for the year may amount to about 3.2 billion board feet. Exports are expected to reach a level of about 1 billion board feet, or 300 million feet above the 1954 level. Lumber consumption during 1955, after allowing for some increase in the level of stocks, is expected to amount to about 41 billion board feet.

During 1956 it has been assumed that the level of construction and industrial output will increase slightly over the level attained in 1955. However, residential construction, the most important single end-use for lumber, is expected to decrease slightly. Lumber consumption in 1956 may therefore fall slightly below current levels.

Between January and September 1955 the index of wholesale prices for lumber increased by about 6 percent from 120.0 to 127.1. The present level is slightly above the previous all-time peak of 126.7 reached in March 1951. Little change in prices is expected in 1956.

Pulpwood

During the first half of 1955 pulpwood consumption was 15 percent above the corresponding period in 1954 as a result of an exceptionally high level of demand for paper and board. It is estimated that total pulpwood consumption during 1955 will amount to about 33 million cords, or about 13 percent higher than consumption in 1954, and about 94 percent higher than consumption in 1945. This estimate of pulpwood consumption does not include the equivalent of about 10 million cords of pulpwood that it is estimated will be imported in 1955 in the form of woodpulp, paper and board.

In 1956 some further increase is expected in pulpwood consumption in response to increased demand for paper and board resulting from further increases in population and economic activity and the continuing development of new uses for paper and paper products.

Pulpwood production from domestic forests in 1955 is expected to amount to 30 million cords, or 11 percent more than the 27 million cords produced in 1954. The South is expected to account for about 60 percent of total production, the North 20 percent and the West the remaining 20 percent. Southern pine is expected to account for about 50 percent of total domestic pulpwood production, other softwoods 35 percent and hardwoods 15 percent.

The new peak in pulpwood consumption expected in 1955 marks a continuation of a period of extremely rapid growth in the pulp and paper industry. Since 1946 the industry has expanded rapidly through construction of new mills and addition to or modernization of existing mills. Expansion has been particularly rapid in the South where more than half of the woodpulp industry is now located.

Except in the West, the woodpulp industry depends largely upon pulpwood cut from farms and other small forest holdings. In the South, for example, about 75 percent of all pulpwood produced is cut from farm forests and other small ownerships.

Pulpwood prices have shown little change since 1951. In the Southeast, for example, prices of rough pine pulpwood have remained at about \$13.85 per cord. During the remainder of 1955 and in 1956 no significant change in the price of pulpwood is anticipated.

Veneer Logs
and Bolts

Consumption of hardwood veneer logs and bolts since 1951 has amounted to about 1 billion board feet per year, a level of consumption that is expected to be maintained during 1955 and 1956. On the other hand, consumption of softwood veneer logs and bolts, practically all of which is concentrated on the West Coast, has increased from 1.2 billion board feet in 1951 to an estimated 2.0 billion board feet in 1955. Most of this increase is attributed to the expanding use of softwood plywood in construction. Some further increase is expected in the consumption of softwood veneer logs in 1956.

Other Timber
Products

Consumption of fuelwood in the United States continues to decline as a result of shifts to other fuels and reduced farm population. Consumption of miscellaneous industrial wood products such as poles and piling, posts, mine timbers, and a variety of other minor timber products is expected to remain near the current levels of about 700 million cubic feet a year.

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